Supreme Court, U.S.
FILED

No. __-____

01-1057 JUN 01 2002

OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

HAVANA CLUB HOLDING, S.A. and
HAVANA CLUB INTERNATIONAL, S.A.,

Petitioners,

—v.—

BACARDI & COMPANY LIMITED and
BACARDI-MARTINI USA, INC., *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

CHARLES S. SIMS
Counsel of Record
PROSKAUER ROSE LLP
1585 Broadway
New York, New York 10036
(212) 969-3950

Counsel for Petitioners

Of Counsel:

Gregg Reed
Joshua J. Pollack

173pp

QUESTIONS PRESENTED

Petitioners market Cuban-origin "Havana Club" rum worldwide and intend to market it in the United States as soon as the Cuban embargo ends. They brought this suit under the General Inter-American Convention for Trade Mark and Commercial Protection ("IAC") and the Lanham Act, 15 U.S.C. § §1125(a) and 1126, contending that respondents — who set out, in their own words, to "preempt and outposition 'Havana Club' Cuban rum before the embargo is lifted" — engaged in trademark infringement, trade name infringement, and unfair competition by importing Bahamian rum into the United States falsely labeled as "Havana Club." The court of appeals held that petitioners' treaty rights under the IAC had been abrogated by federal statutes and regulations and that petitioners lacked standing to complain of the false designation of origin because their injury was too "remote."

The questions presented are:

1. Whether the court of appeals disregarded the fundamental principle that statutes should not be interpreted to abrogate treaty rights in the absence of a clear expression by Congress, and thereby placed at risk the reciprocal treaty rights of U.S. companies abroad, by holding that an ambiguous statute — and administrative regulations that have long preserved intellectual property rights — "abrogated" petitioners' rights under the IAC.

2. Whether the court of appeals erred in effectively creating a *per se* rule that no company subject to a U.S. trade embargo has standing to complain of false designations of origin, a result contrary to U.S. treaty obligations and the Lanham Act's goal of protecting U.S. consumers.

3. Whether the court of appeals erred in retroactively applying a 1998 statute to petitioners' 1993 acquisition of U.S. intellectual property rights (including a 1976 trademark registration), thereby stripping them of their ability to maintain and enforce those rights.

LIST OF PARTIES AND RULE 29.6 STATEMENT

In addition to those listed on the cover, respondents include Gallo Wine Distributors, Inc., G.W.D. Holdings, Inc. and Premier Wine and Spirits.

Pernod Ricard, S.A., a publicly held French company, and Havana Rum & Liquors, S.A., a Cuban company, each own (1) 50% of petitioner Havana Club Holding, S.A. ("HCH"), a Luxembourg corporation, with corresponding representation on HCH's board of directors; and (2) 50% of petitioner Havana Club International, S.A. ("HCI"), a Cuban company, either directly or through their interests in HCH.

Pernod Ricard, S.A. is the only publicly held company that owns 10% or more of the stock of HCH or HCI.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

LIST OF PARTIES AND RULE 29.6 STATEMENT ii

TABLE OF CITED AUTHORITIES vi

OPINIONS BELOW 1

JURISDICTION 1

TREATY, STATUTES AND REGULATIONS INVOLVED 1

STATEMENT 1

A. The United States' Longstanding Commitment To Securing The Reciprocal Protection Of Foreign Trademarks And Trade Names 3

B. The Cuban Embargo 5

C. The HAVANA CLUB Rum Business. 5

D. Bacardi's Attempt To Preempt Petitioners' Use Of The HAVANA CLUB Name In This Country 8

E. The Proceedings Below 8

REASONS FOR GRANTING THE PETITION 12

I. The Court of Appeals' Decision Conflicts With Settled Law As To When Subsequent Statutes Abrogate Treaty Rights, And Unprecedently Allows A Regulation To Abrogate A Treaty 15

II. The Decision Below Effectively Bars Companies Subject To U.S. Embargoes From Bringing False Designation Of Origin And Unfair Competition Claims, Contrary To Statutory And Treaty Rights 19

III. The Decision Dismissing HCI's Trade Name Infringement Claim Based On Section 211 Conflicts With Supreme Court Precedent Precluding Retroactive Application Of Statutes That Attach New Legal Consequences To Events Completed Before Their Enactment 26

CONCLUSION 30

APPENDIX

Opinion Of The Second Circuit, Decided Feb. 4, 2000 ..... 1a

Opinion Of The District Court, Dated June 25, 1999 ..... 37a

Opinion Of The District Court, Dated Aug. 8, 1997 ..... 65a

Partial Judgment Of The District Court, Dated Oct. 20, 1997 ..... 92a

General Inter-American Convention For Trade Mark And Commercial Protection 95a

Lanham Act, §§ 43(a) & 44 ..... 113a

Omnibus Consolidated And Emergency Supplemental Appropriations Act Of 1999, §211 ..... 118a

Trading With The Enemy Act of 1917, §10(g) 120a

Cuban Assets Control Regulation, §515.527 (1998) 121a

Bacardi Memoranda 122a

Letter Granting Petitioners An Extension Of Time To File This Petition For A Writ of Certiorari 130a

TABLE OF CITED AUTHORITIES

Page(s)

CASES

American Council of Certified Podiatric Physicians & Surgeons v. American Bd. of Podiatric Surgery, Inc.,
185 F.3d 606 (6th Cir. 1999) 24

American Steel Foundries v. Tri-City Cent. Trades Council,
257 U.S. 184 (1921) 29

Astoria Fed. Sav. & Loan Ass'n v. Solimino,
501 U.S. 104 (1991) 17

Babbitt v. United Farm Workers Nat'l Union,
442 U.S. 289 (1979) 23

Bacardi Corp. v. Domenech,
311 U.S. 150 (1940) 3, 12

Bryant v. Yellen,
447 U.S. 352 (1980) 23

Camel Hair & Cashmere Institute of Am., Inc. v. Associated Dry Goods Corp.,
799 F.2d 6 (1st Cir. 1986) 23

Charlton v. Kelly,
229 U.S. 447 (1913) 14

Clark v. Allen,
331 U.S. 503 (1947) 13, 19

Clinton v. City of New York,
524 U.S. 417 (1998) 23

Connecticut Nat'l Bank v. Germain,
503 U.S. 249 (1992) 17

Cook v. United States,
288 U.S. 102 (1933) 18

Daddy's Junky Music Stores v. Big Daddy's Family Music Ctr.,
109 F.3d 275 (6th Cir. 1997) 22

Duke Power Co. v. Carolina Env't Study Group, Inc.,
438 U.S. 59 (1978) 23

Duplex Printing Press Co. v. Deering,
254 U.S. 443 (1921) 29

Eastern Enters. v. Apfel,
524 U.S. 498 (1998) 28

FDA v. Brown & Williamson Tobacco Corp.,
_ U.S. _, 120 S. Ct. 1291 (2000) 18

Hardin v. Kentucky Utils. Co.,
390 U.S. 1 (1968) 26

Harper House, Inc. v. Thomas Nelson, Inc.,
889 F.2d 197 (9th Cir. 1989) 25

Havana Club Holding, S.A. v. Galleon, S.A.,
974 F. Supp. 302 (S.D.N.Y. 1997) 1

Havana Club Holding, S.A. v. Galleon, S.A.,
62 F. Supp. 1085 (S.D.N.Y. 1999) 1

Havana Club Holding, S.A. v. Galleon, S.A.,
203 F.3d 116 (2d Cir. 2000) 1

Hughes Aircraft Co. v. United States,
520 U.S. 939 (1997) 27, 28

Imperial Tobacco Ltd. v. Philip Morris, Inc.,
899 F.2d 1575 (Fed. Cir. 1990) 21

Kolovrat v. Oregon,
366 U.S. 187 (1961) 13

Landgraf v. USI Film Prods.,
511 U.S. 244 (1994) 27, 28

Lujan v. Defenders of Wildlife,
504 U.S. 555 (1992) 26

Martin v. Hadix,
527 U.S. 343 (1999) 27

Marye v. Parsons,
114 U.S. 325 (1885) 21

Metropolitan Washington Airports Auth. v. Citizens for the Abatement of Aircraft Noise, Inc.,
501 U.S. 252 (1991) 23

Murray v. Schooner Charming Betsy,
6 U.S. (2 Cranch) 64 (1804) 15, 17

Paddington Corp. v. Attiki Importers & Distribs., Inc.,
996 F.2d 577 (2d Cir. 1993) 22

Pigeon River Improvement, Slide & Boom Co. v. Charles W. Cox, Ltd., 291 U.S. 138 (1934) 16

Posadas v. National City Bank,
296 U.S. 497 (1936) 15

Regan v. Wald,
468 U.S. 222 (1984) 5

Sale v. Haitian Ctrs. Council,
509 U.S. 155 (1993) 15

South Dakota v. Bourland,
508 U.S. 679 (1993) 18

Southland Sod Farms v. Stover Seed Co.,
108 F.3d 1134 (9th Cir. 1997) 24

Steel Co. v. Citizens for a Better Env't,
523 U.S. 83 (1998) 21

The Paquete Habana,
175 U.S. 677 (1900) 18

Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer,
515 U.S. 528 (1995) 16

Waits v. Frito-Lay, Inc.,
978 F.2d 1093 (9th Cir. 1992) 24

Warth v. Seldin,
422 U.S. 490 (1975) 21

TREATIES, STATUTES AND REGULATIONS

15 U.S.C § 1114 9

15 U.S.C. § 1125(a) (Lanham Act § 43(a)) ..... passim

15 U.S.C. § 1126 (Lanham Act § 44) ..... passim

28 U.S.C. § 1254(1) 1

31 C.F.R. § 515.101 *et seq.* ..... passim

31 C.F.R. § 515.201(b)(1) 5

31 C.F.R. § 515.310 5

31 C.F.R. § 515.311 5

31 C.F.R. § 515.316 5

31 C.F.R. § 515.317 5

31 C.F.R. § 515.318 5

31 C.F.R. § 515.527 1

General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"),
46 Stat. 2907 (1929) ..... passim

Helms-Burton Act ("LIBERTAD Act"),
Pub. L. No. 104-114, 110 Stat. 785 (1996) 11, 18

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999,
Pub. L. No. 105-277, 105th Cong., 2d Sess.,
112 Stat. 2681, § 211 (1998) ..... passim

Trading with the Enemy Act of 1917 ("TWEA"),
50 U.S.C. App. 1, § 10(g) ..... passim

OTHER

S. Rep. No. 1333, 79th Cong., 2d Sess. (1946),
reprinted in 1946 U.S.C.C.A.N. 1274 ..... 4, 25
4 McCarthy on Trademarks and Unfair
Competition, § 27:31 (2000) 24, 25
Restatement (Third) of the Foreign Relations Law of the
United States, § 115 (1987) 16
Restatement (Third) of the Foreign Relations Law of the
United States, § 335(2) (1987) 13
Jordan Paust, *The President is Bound by International Law,*
81 Am. J. Int'l L. 377 (1987) 19

PETITION FOR A WRIT OF CERTIORARI

Petitioners Havana Club Holding, S.A. and Havana Club International, S.A. respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-36a) is reported at 203 F.3d 116. The pertinent opinions of the district court are reported at 62 F. Supp. 2d 1085 (App., *infra*, 37a-64a) and 974 F. Supp. 302 (App., *infra*, 65a-91a).

JURISDICTION

The judgment of the court of appeals was entered on February 4, 2000. On April 19, 2000, Justice Ginsburg extended the time to file this petition to and including June 1, 2000. (App., *infra*, 130a.) The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

TREATY, STATUTES AND REGULATIONS

Reprinted in the Appendix are pertinent provisions of the General Inter-American Convention for Trade Mark and Commercial Protection, 46 Stat. 2907 (App., *infra*, 95a-112a), Sections 43(a) and 44 of the Lanham Act, 15 U.S.C. §§ 1125(a), 1126 (App., *infra*, 113a-117a), Section 211 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, 105th Cong., 2d Sess., 112 Stat. 2681 (1998) (App., *infra*, 118a-119a), Section 10(g) of the Trading with the Enemy Act of 1917, 50 U.S.C. App. 1 (App., *infra*, 120a), and Section 515.527 of the Cuban Assets Control Regulations, 31 C.F.R. § 515.527 (App., *infra*, 121a).

STATEMENT

This case arises out of the 1995 decision by respondents Bacardi & Company Limited and Bacardi-Martini USA, Inc. (collectively "Bacardi") to begin using the name "Havana Club" on rum produced by Bacardi in the Bahamas and sold in the United States. The HAVANA CLUB trademark had been used

for decades by petitioners (and their predecessors in interest) in marketing Cuban-origin rum throughout the world (but not in the United States, where the Cuban embargo proscribes such sales). The court of appeals held that petitioners' claims against Bacardi for trademark infringement, trade name infringement, and unfair competition (based on Bacardi's false labeling of its Bahamian rum to be Cuban) were all barred, in one way or another, by the United States' embargo of Cuba.

In so holding, the court of appeals ruled that petitioners' rights under the General Inter-American Convention for Trade Mark and Commercial Protection ("IAC" or "Inter-American Convention"), an international convention to which the United States is a party, had been abrogated. That ruling is inconsistent with longstanding U.S. policy providing for the reciprocal protection of foreign trademarks, disregards settled principles concerning the abrogation of treaty rights, and threatens severe harm to U.S. businesses abroad by vitiating the basis for reciprocal treatment. The court of appeals' opinion, in clear violation of U.S. commitments under the Inter-American Convention, makes it impossible in the United States for companies to enforce a Cuban-origin trade name or to obtain relief against unfair competition directed at Cuban-origin products that will be sold post-embargo. Under international law, the court's opinion would justify a refusal by the Cuban government to enforce U.S. companies' trade names and trademarks against infringement in Cuba — something that Fidel Castro already has threatened.

The court of appeals also adopted an unduly restrictive definition of standing for unfair competition claims under the Lanham Act, which disregards treaty rights and conflicts with the decisions of other circuits.

Further review by this Court is warranted to resolve the confusion over the scope of standing under this important federal statute, and to correct serious errors by the court of appeals in a case with profound foreign policy implications.

A. The United States' Longstanding Commitment To Securing The Reciprocal Protection Of Foreign Trademarks And Trade Names.

For almost a century, the United States has sought through domestic legislation as well as international treaties to secure protection for the trademark and other intellectual property rights of American companies in foreign countries, including countries that are at war with the United States or subject to U.S. embargoes. In 1917, following the outbreak of World War I, Congress passed the Trading With the Enemy Act ("TWEA"), 50 U.S.C. App. 1 *et seq.*, which expressly permitted companies from enemy nations to prosecute, among other things, trademark and copyright infringement actions in this country "in the same manner and to the extent that [they] would be entitled to do so if the United States was not at war." *Id.* § 50. TWEA is the enabling statute under which the regulations constituting the U.S. trade embargo on Cuba are issued (*see* pp. 4, 16, *infra*). Every promulgation of those regulations since the imposition of the embargo in 1963 has provided for the reciprocal recognition and enforcement of trademark rights between the United States and Cuba.

In 1931, the United States extended the reciprocal protection of intellectual property rights within this hemisphere with the ratification of the General Inter-American Convention for Trade Mark and Commercial Protection, 46 Stat. 2907, T.S. No. 833; *see also Bacardi Corp.* v. *Domenech*, 311 U.S. 150, 157 n.7 (1940). The IAC "was the culmination of the efforts of many years to secure the cooperation of the American States in uniform trade mark protection." *Bacardi*, 311 U.S. at 157-58. The treaty was self-executing, so that "on ratification [it] became a part of our law [without any need for] special legislation in the United States * * * to make it effective." 311 U.S. at 158. Like the United States, Cuba is a party to the IAC.

The IAC was designed to "bind [the Contracting States] to grant to the nationals of the other Contracting States the same

rights and remedies which their laws extend to their own nationals." *Bacardi*, 311 U.S. at 161. "It is [the IAC's] plain purpose to prevent a ratifying State from denying protection to the foreign mark because of its origin or previous registration in a foreign country." *Id.* at 165. Among other protections, the treaty specifically provides that "the transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States" (Art. 11), protects trade names (Arts. 14, 18), prohibits false indications of geographical origin (Arts. 21 & 23), provides for injunctive relief (Art. 18), and provides for injunctive relief and damages (Arts. 28, 30 & 31).

In 1946, Congress added another layer of protection for foreign owners of trademarks and trade names when it passed the Lanham Act. Section 44(b) of the Lanham Act, 15 U.S.C. § 1126(b), provides:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party * * * shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law * * * *

Section 44(h) of the Lanham Act also grants "effective protection against unfair competition" to entities protected by treaty. 15 U.S.C. § 1126(h). Like the United States' previous efforts to secure domestic and international protection of foreign trademark rights, these provisions of the Lanham Act grew out of a recognition that "[n]aturally," where the United States "did not attempt fully to secure to nationals of countries signatory to the conventions their trade-mark rights," "foreign governments do not always give to citizens of the United States their convention rights." S. Rep. No. 1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1276.

B. The Cuban Embargo.

In 1962 and 1963, the United States imposed an embargo on Cuba, reflected in the Cuban Assets Control Regulations ("CACR"), as amended, 31 C.F.R. §§ 515.101-515.901 (1999). The CACR were issued under the authority of the TWEA and the Foreign Assistance Act of 1961, Pub. L. 87-195, 75 Stat. 424. *See Regan v. Wald*, 468 U.S. 222, 225-27 & n.1 (1984).

The CACR broadly prohibit "all dealings in, including, without limitation, transfers of * * * any property * * * subject to the jurisdiction of the United States." 31 C.F.R. § 515.201(b)(1). The CACR defines "property" to include trademarks and "transfer" to include "the making, execution, or delivery of any assignment." *Id.* §§ 515.310, 515.311. These prohibitions are subject to both general (regulatory) and specific (individualized) exceptions, called licenses, *see* 31 C.F.R. § 515.316-18, which have been employed consistently to protect intellectual property rights until this case. During the embargo, over 400 U.S. companies have registered U.S. marks in Cuba (a process that has afforded Cuba substantial U.S. currency notwithstanding the embargo), and Cuba has protected against challenge various marks of U.S. companies, including Olin Corp. ("Winchester"), Mattel, Inc. ("Barbie"), Skecher USA, Inc., Hewlett Packard, Pizza Hut, Inc., and Liz Claiborne. Moreover, U.S. policy has been to permit U.S. companies to obtain and protect their marks in Cuba so that when the embargo on Cuba is lifted, American companies will not find their Cuban-registered marks in the hands of unauthorized interlopers.

C. The HAVANA CLUB Rum Business.

Petitioner Havana Club International, S.A. ("HCI"), under license from petitioner Havana Club Holding, S.A. ("HCH"), has distributed over 38.4 million bottles of a premium Cuban-origin rum around the world under the trademark HAVANA

CLUB since January 1, 1994.[1] That rum, which has been exported mainly to Canada, Mexico, Spain, France, Germany, Italy, Bolivia and Panama, is the highest quality rum produced in Cuba and has been heavily marketed on the basis of its Cuban origin. Petitioners intend to export that rum to the United States as soon as legally possible, *i.e.*, when the U.S. trade embargo on Cuba is lifted. Americans have been exposed to HAVANA CLUB rum not only in the countries to which it has been exported but also as authorized visitors to Cuba, of whom there have been more than 250,000 in recent years.

HCH and HCI are joint ventures between Pernod Ricard, S.A. ("Pernod Ricard"), a French company distributing liquor internationally, and Havana Rum & Liquors, S.A. ("HRL"), a Cuban rum distributor. Those joint ventures were created in November 1993, for the purpose of selling and promoting Cuban-origin HAVANA CLUB rum throughout the world. Earlier in 1993, HRL had obtained the entire HAVANA CLUB business and accompanying worldwide rights to the HAVANA CLUB mark from Empresa Cubana Exportadora De Alimentos y Productos Varios ("Cubaexport"), a Cuban state foreign trade enterprise which was the exclusive exporter of HAVANA CLUB rum from 1972 until 1993 and which had registered the HAVANA CLUB mark in more than 80 nations, without challenge.

Prior to the creation of the joint venture, Pernod Ricard undertook due diligence to ensure that HRL owned clear rights to the HAVANA CLUB mark worldwide. Pernod Ricard agreed to enter into the joint venture only after confirming that, as of November 1993, no person or entity other than HRL had any rights in or to the HAVANA CLUB name anywhere in the

---

[1] HCH, a Luxembourg corporation, owns the HAVANA CLUB trademark throughout the world with registrations in more than 183 countries. HCI is a company organized under the laws of Cuba that conducts a rum business using the HAVANA CLUB trademark under an exclusive license from HCH.

world, including in the United States. HRL's U.S. rights were obtained by transfer from Cubaexport, which had applied to register the HAVANA CLUB trademark in the U.S. on June 11, 1974. Cubaexport's application was accepted, also without challenge, on January 27, 1976 (U.S. Reg. No. 1,031,651).[2]

Notably, Jose Arechabala, S.A. ("JASA"), which had distilled and sold a "Havana Club" rum in Cuba prior to 1960, had no enforceable claim to the trademark. Due diligence revealed that JASA had been inactive in the rum business for more than three decades and had abandoned all rights in the "Havana Club" trademark worldwide. JASA's abandonment of its trademark rights resulted from its decades-long failure to maintain and/or renew trademark registrations for the "Havana Club" mark (an abandonment that began several years before the Cuban revolution in 1959), rather than from the Cuban government's nationalization of industrial and commercial corporations in 1960.[3] Only after JASA's U.S. trademark had

---

[2] The assignments were recorded at the USPTO on September 13, 1994. Because the U.S. HAVANA CLUB trademark had a connection to Cuba, it was property subject to U.S. regulatory jurisdiction. Petitioners therefore applied to the Office of Foreign Assets Control ("OFAC") on October 5, 1995 for a specific license under the CACR authorizing the assignments of the HAVANA CLUB trademark from Cubaexport to HRL to HCH. OFAC issued License No. C-18147 on November 13, 1995, which approved the assignments retroactive to the date of assignment.

[3] In 1955, for example, JASA failed to renew one of its U.S. trademark registrations. Then, in 1962, another JASA U.S. trademark registration was canceled from the Principal Register when JASA failed to file an affidavit of use or excusable non-use (for instance, based on the embargo of Cuban-origin products) permitted, for a nominal payment, under § 8 of the Lanham Act. Similarly, 11 years later, JASA's two U.S. trademark registrations on the Supplemental Register expired after JASA elected not to renew them by an assertion of use or excusable non-use. Testimony at trial showed that JASA made a deliberate decision not to renew its registration. JASA's inaction stands in stark contrast to the actions taken

been purposefully allowed to lapse in 1973 did Cubaexport register the HAVANA CLUB name in the United States.

D. Bacardi's Attempt To Preempt Petitioners' Use Of The HAVANA CLUB Name In This Country

The Bacardi respondents are worldwide competitors of HCI in the rum market. Following HCI's initial successes with its HAVANA CLUB rum in Spain and other European markets, Bacardi crafted a plan to prevent that competition from spreading to the lucrative United States market when the Cuban embargo ends. As internal documents plainly revealed, Bacardi's intention was to "preempt and outposition 'Havana Club' Cuban Rum before the embargo is lifted" (App., *infra*, 122a) by preventing petitioners from entering the post-embargo U.S. market with the name and marketing campaign that had been used successfully abroad.

In furtherance of this plan, Bacardi began producing rum in the Bahamas bearing the "Havana Club" name in 1995. This illicit activity began after it learned of the joint venture between Pernod Ricard and HRL. Bacardi imported nominal amounts of its Bahamian rum into the United States in 1995 and 1996, and took other actions designed to impede petitioners' future expansion into the United States, including filing an intent-to-use trademark application for the mark "Havana Club" in 1994 and developing a worldwide media strategy to falsely signal to consumers that Bacardi sells Cuban rum.

E. The Proceedings Below.

1. In response to Bacardi's conduct, petitioners commenced this action in December 1996 to enjoin Bacardi from using the words "Havana Club" as part of any trademark, trade name or other commercial designation in connection with the sale, distribution, advertising or promotion of rum in the United

---

by other Cuban-nationalized entities, including Bacardi, which took the steps necessary to preserve their U.S. trademark rights and registrations after 1960.

States. Petitioners asserted claims for trademark infringement and for false designation of origin pursuant to, respectively, Sections 32 and 43(a) of the Lanham Act, 15 U.S.C. § 1114, 1125(a). In April 1997, *after* this lawsuit was commenced, Bacardi purported to purchase "rights" to the "Havana Club" trademark from both the long-defunct Cuban corporation, JASA, and from persons claiming an interest in that company.

Petitioners' trademark infringement claim was based on Cubaexport's U.S. trademark registration obtained in 1976. On April 17, 1997, however, during the pendency of this litigation, OFAC, at the behest of Bacardi, revoked the specific license covering the assignments of that trademark retroactive to the date of issuance.[4] The district court thereafter granted summary judgment to Bacardi, canceling petitioners' interest in the trademark registration and restoring to Cubaexport all rights to the registration. App., *infra*, 83a.

Petitioners then amended their complaint to assert trade name infringement claims under Articles 14 and 18 of the IAC and Section 44 of the Lanham Act, 15 U.S.C. § 1126.

On October 21, 1998, at the close of discovery and shortly before trial, Congress enacted the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 ("1999 Appropriations Act"), Pub. L. No. 105-277, 105th Cong., 2d Sess., 112 Stat. 2681 (1998), in order to avert a government shutdown. Buried in the midst of this massive bill was a provision, Section 211, that barred judicial enforcement of certain Cuba-related trademark and trade name infringement claims by providing that:

> No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights * * * under sections 44 (b) or

---

[4] OFAC stated that its revocation was due to "facts and circumstances that have come to the attention of [OFAC] which were not included in the application," but did not further explain the grounds for revocation. App., *infra*, 69a.

> (e) of the Trademark Act of 1946 * * * for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

App., *infra*, 118a.

In early 1999, this action proceeded to trial on the trade name infringement and false designation of origin claims. In an opinion dated June 25, 1999, however, the district court held that it could not reach the merits of petitioners' claims and dismissed them as a matter of law, holding that petitioners' present failure to market their HAVANA CLUB rum in the United States due to the Cuban embargo deprived them of standing under Section 43(a) of the Lanham Act to complain of Bacardi's false designation of origin, and that the recently-enacted Section 211 barred consideration of HCI's trade name infringement claim under the IAC. App., *infra*, 37a-64a.

2. The court of appeals affirmed, upholding the dismissal of petitioners' claims against Bacardi for trademark infringement, trade name infringement, and unfair competition (based on the false designation of origin). App., *infra*, 1a-36a.

The court of appeals rejected petitioners' argument that their trademark rights were guaranteed by Article 11 of the IAC, which provides:

> The transfer of ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof shall be furnished that such transaction has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

App., *infra*, 13a-17a.

The court of appeals acknowledged that the assignments of the HAVANA CLUB trademark from Cubaexport to HRL and then from HRL to HCH were "in accordance with Cuban law" and accordingly, by virtue of Article 11, should be "recognized within the United States." App., *infra*, 13a. It rejected that result, however, on the ground that the Cuban embargo had "abrogated the rights that Article 11 of the IAC would otherwise protect." App., *infra*, 13a. The court thus held that the CACR abrogated rights guaranteed by the United States under the IAC to recognize a foreign trademark assignment in this country. App., *infra*, at 14a. In so holding, the court relied on the Helms-Burton Act and on Section 211 of the 1999 Appropriations Act to interpret the CACR, although it recognized that both were technically inapplicable because they post-dated the trademark assignment at issue here. App., *infra*, 16a-17a.

Next, the court of appeals held that HCI's trade name rights under the IAC had been abrogated by Section 211. The court acknowledged that the IAC

> provides that any manufacturer "domiciled or established" in a signatory country that uses a particular trade name or commercial name may enjoin the use of that name in another signatory country that is "identical with or deceptively similar to" its trade name.

App., *infra*, 18a (quoting IAC Art. 18). The court concluded that HCI could not pursue claims *under the IAC*, despite the fact that, by its own terms, Section 211 forbids U.S. courts only to

> recognize, enforce, or otherwise validate any assertion of treaty rights * * * *under sections 44(b) or (e) of the Trademark Act of 1946* * * * for a mark, trade name, or commercial name * * * *

App., *infra*, 19a, 118a (emphasis added).

In reaching that conclusion, the Second Circuit agreed that, at the time the Lanham Act was passed, "the Supreme Court had already ruled the IAC to be self-executing" and thus fully enforceable in United States courts without need for any

implementing legislation. App., *infra*, 22a (citing *Bacardi Corp. v. Domenech*, 311 U.S. 150, 161 (1940)). Nevertheless, the court of appeals took the view that Congress, in the Lanham Act, meant to create a mandatory and exclusive means for enforcing all treaty rights relating to trademarks, trade names, and unfair competition (including rights under the IAC). App., *infra*, 22a. Accordingly, the court concluded, "HCI *must* assert its rights under the IAC pursuant to section 44(b) of the Lanham Act," and therefore Section 211, which specifically referred to that provision of the Lanham Act, barred HCI's claim. App., *infra*, 22a (emphasis added). The court also rejected petitioners' arguments that applying Section 211 to this case would be impermissibly retroactive, that Section 211 does not apply because JASA's trademark had been abandoned, and that Section 211 should not be interpreted to abrogate the well-established common-law defense of abandonment in the absence of any Congressional intent to do so. App., *infra*, 23a-25a.

Finally, the court of appeals held that the Cuban embargo, by preventing petitioners from importing HAVANA CLUB rum into the United States, rendered petitioners' harm from Bacardi's false designation of origin too remote to entitle them to sue for false designation under Sections 43(a) and 44(h) of the Lanham Act (App., *infra*, 26a-36a). The court of appeals refused to find in Section 44(h), and the treaty rights which it implements, any broader standing than that conferred by Section 43(a) of the Act or to enforce Section 44(h)'s incorporation of treaty rights, and held that the Lanham Act requires a plaintiff to demonstrate the "potential for a commercial or competitive injury" that is to some unspecified degree more imminent (less "remote") than that faced by petitioners in light of the embargo. App., *infra*, 35a-36a.

REASONS FOR GRANTING THE PETITION

In holding that the Inter-American Convention was abrogated by subsequent statutes and regulations, the court of appeals erroneously decided an issue of immense importance,

both practically to United States companies that do business overseas, and politically to the United States as an international actor. Petitioners respectfully submit that the court's decision reflects a profoundly incorrect understanding of the respect due to ratified treaties, and directly conflicts with both this Court's decisions and with established principles of international and domestic law. Certiorari is therefore warranted to clarify this fundamental issue, and to correct the grave mistake below. *See Kolovrat* v. *Oregon*, 366 U.S. 187, 191 (1961) ("We granted certiorari because the cases involve important rights asserted in reliance upon federal treaty obligations."); *Clark* v. *Allen*, 331 U.S. 503, 507 (1947) (granting certiorari to decide relationship between the TWEA and treaty with Germany "because the issues raised are of national importance").

The result reached in this case, with its profound and adverse consequences to the United States' foreign relations and to the intellectual property protections of Americans abroad, should not occur without a definitive ruling from the Nation's highest Court. This litigation has effects that will extend far beyond its parties and far outside the United States. The IAC affords reciprocal rights; accordingly, the determination that the United States has abrogated the treaty necessarily excuses Cuba (or any other embargoed nation that has subscribed to the IAC) from its international obligations to accord comparable protection to U.S. trademark owners in that country. Under generally accepted principles of international law, "[a] material breach * * * entitles * * * a party specially affected by the breach to invoke it as a ground for suspending the operation of the agreement in whole or in part in the relations between itself and the defaulting state." RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES § 335(2) (1987); *Charlton* v. *Kelly*, 229 U.S. 447, 472-73 (1913).

Because of this principle of reciprocity, the decision below threatens scores of major U.S. companies with the prompt loss of effective protection for their trademarks and trade names and against unfair competition that they heretofore have enjoyed, in

Cuba and elsewhere,[5] while U.S. embargoes are in effect.[6] If left uncorrected, subsequent decisions will threaten the solidity of other intellectual property regimes, as well as all other treaties.

In addition, by ruling that Cuban companies and their non-Cuban affiliates are *incapable* of suffering competitive injury from actions in the U.S. market because of the current embargo, the court of appeals has in effect established a *per se* rule that companies subject to U.S. trade embargoes may not protect their trade names and brand identities against infringement — or even deliberate outright theft. In so holding, the court of appeals ignored the regime of reciprocal enforcement of treaty rights created by the IAC and other similar conventions and treaties even during wartime and reached a result in conflict with the views of other courts of appeals on standing under Section 43(a) of the Lanham Act. Review is warranted here to protect both the integrity of United States treaty commitments and the interests of the many private parties whose rights depend on those reciprocal commitments.

Finally, by construing Section 211 to bar enforcement of existing trade names irrespective of the owner's settled expectations, and no matter how-long used (or how long-

---

[5] Since 1917, U.S. embargoes have been applied to, among other countries, Germany, Austria, Italy, Norway, France, The Netherlands, Belgium, Latvia, Estonia, Lithuania, Greece, Yugoslavia, China, Japan, Thailand, Hong Kong, North Korea, Libya, Iran and Iraq.

[6] This threat is far from hypothetical. Following the district court's decision in this litigation, Fidel Castro declared: "They should not complain if we start using any North American brand to produce and commercialize products. We are not going to remain, of course, with our arms crossed." Juan O. Tamayo, *Castro Promises Fight Over Rum Brand Name*, THE MIAMI HERALD, May 11, 1999. Among the many American trademarks currently enjoying protection in Cuba are "Coca Cola," "Ronald McDonald," "Pizza Hut" and "Calvin Klein." *See* <www.cubatrade.org/trademk.html>.

abandoned by prior owners granted such blocking rights), the court has unlawfully given Section 211 retroactive effect.

In view of the issues raised by the judgment below, petitioners respectfully suggest that the Court might usefully request the Solicitor General to present the views of the United States.

I. The Court of Appeals' Decision Conflicts With Settled Law As To When Subsequent Statutes Abrogate Treaty Rights, And Unprecedentedly Allows A Regulation To Abrogate A Treaty.

It is undisputed that, under the clear terms of the IAC, petitioners should be allowed to proceed with their trade name and trademark claims in the courts of the United States. App., *infra*, 13a, 18a. The court of appeals reached a contrary conclusion only by ignoring this Court's clear instruction that *statutory* abrogations of such treaty rights are disfavored and must be read narrowly. The court's decision to allow a *regulatory* abrogation of petitioners' treaty rights (to register their assigned interest in the HAVANA CLUB trademark) is an even more radical departure from established law, violating not only the presumption disfavoring the abrogation of treaties, but also the principle that lesser weight is due administrative regulations as compared to treaties or statutes.

It is long-settled that domestic law should not be "construed to violate" international obligations "if any other possible construction remains." *Murray* v. *Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 117-18 (1804); *see also, e.g.*, *Sale* v. *Haitian Ctrs. Council*, 509 U.S. 155, 178 n.35 (1993); *Posadas* v. *National City Bank*, 296 U.S. 497, 503 (1936) (abrogation by implication may be found only when later legislation is in "irreconcilable conflict" or the legislation "covers the whole subject of the earlier [treaty] and is clearly intended as a substitute").

Among the alternative constructions of Section 211 available to the court of appeals, but disregarded by it, were to construe that provision (i) in conformity with its literal language to apply

only to claims brought directly under the Lanham Act; (ii) as not applying where a mark had long been abandoned; and (iii) as applying only to marks acquired after the date of its enactment.

The hornbook principle that a domestic law should not be construed to violate an international obligation if any other possible construction is available serves important purposes. To receive the benefits of international agreements, the U.S. must meet its obligations under those agreements. *Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer*, 515 U.S. 528, 539 (1995) ("If the United States is to be able to gain the benefits of international accords and have a role as a trusted partner in multilateral endeavors, its courts should be most cautious before interpreting its domestic legislation in such manner as to violate international agreements"). Despite domestic abrogation, a treaty remains valid under international law, and the United States can be liable for breaching a treaty even if it has been rendered inapplicable domestically. *Pigeon River Improvement, Slide & Boom Co.* v. *Charles W. Cox, Ltd.*, 291 U.S. 138, 160 (1934); RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES § 115 cmt. b (1987).[7] This principle supports the basic presumption that courts should read statutes consistently and, if at all possible, to avoid repeals by implication. *See, e.g., Connecticut Nat'l Bank* v. *Germain*, 503 U.S. 249, 253 (1992).

The courts below turned this principle on its head. This Court had previously held that the IAC is self-executing and that a plaintiff may raise enforceable claims directly under the treaty. *See Bacardi*, 311 U.S. at 161. Section 211(b) expressly bars the recognition only of trade name treaty rights "asserted * * * under sections 44(b) or (e) of the Trademark [Lanham] Act of 1946,"

---

[7] In July 1999, the European Union commenced a proceeding before the World Trade Organization challenging Section 211 under the General Agreement on Tariffs and Trade.

not the recognition of such rights asserted under self-executing treaties, such as the IAC. Given that statutes should be interpreted not to conflict with treaties wherever possible, the court of appeals had no basis for treating the quoted language as mere surplusage. *See, e.g., Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 112 (1991).

Equally unfounded and at odds with established canons of construction was the court of appeals' refusal to credit petitioners' argument that Section 211 should not be interpreted to abrogate petitioners' treaty rights because the trademark at issue clearly had been abandoned by the original owner. App., *infra*, 24a-25a; *see also supra* at 7 and n.3,(summarizing some of the copious evidence of abandonment). In nevertheless interpreting Section 211 to extinguish the common law defense of abandonment, the court of appeals emphasized Congress' *failure to establish* an abandonment defense in Section 211. Again, however, that analysis disregards the principle that domestic law should not be construed to violate international obligations "if any other possible construction remains." *Murray*, 6 U.S. (2 Cranch) at 117-18.[8]

Finding petitioners' treaty-based *trademark* claim abrogated was an even more radical subversion of domestic law. The court of appeals held that Article 11 of the IAC was abrogated by the CACR, which, at the time of petitioners' recordation of the trademark assignments at the U.S. Patent and Trademark Office, were merely *regulations*, issued under the authority of the

---

[8] Application of the abandonment doctrine — long recognized under the common law as one way in which intellectual property rights may be lost — is also required by the rule of statutory construction that statutes are presumed to be enacted against the background of the common law. *See Astoria Fed. Sav.*, 501 U.S. at 108.

TWEA.[9] Just as regulations cannot supersede statutes, *see, e.g.*, *FDA* v. *Brown & Williamson Tobacco Corp.*, _ U.S. _ , 120 S. Ct. 1291, 1315 (2000), so too they cannot repeal treaties, which are "the supreme Law of the Land." U.S. Const., Art. VI. *See The Paquete Habana*, 175 U.S. 677, 711 (1900) (Prize court cannot violate international law, "even by direction of the executive, without express authority from Congress"); *South Dakota* v. *Bourland*, 508 U.S. 679, 697 n.16 (1993) (that "regulations do not purport to abrogate treaty rights [is] not a startling proposition"); *cf. Cook* v. *United States*, 288 U.S. 102, 121 (1933) (executive may not violate treaty); Paust, *The President is Bound by International Law*, 81 Am. J. Int'l L. 377, 377 (1987) ("The President [and executive branch] must obey and faithfully execute supreme federal law whether it is customary or treaty-based.").

---

[9] In 1996, Congress passed the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act, Pub. L. No. 104-1114, 110 Stat. 785, (1996) commonly known as the Helms-Burton Act. Among other things, as the court of appeals noted, the Helms-Burton Act codified the CACR in statutory form. *Id.* § 102, 22 U.S.C. § 6032. However, that statute expressed no intention to abrogate the IAC; nor did it express a purpose to in any way interfere with the regulatory structure of the CACR that had for nearly 40 years promoted the reciprocal protection of intellectual property rights between the U.S. and Cuba. Moreover, the court of appeals agreed that it could not apply that statute (passed in 1996) to invalidate the 1994 trademark recordation because it would be impermissibly retroactive. App., *infra*, 16a. In any event, the CACR have, since their first promulgation in 1963, made specific provision for the reciprocal protection between Cuba and the United States of intellectual property rights. In recent years, Cuba has upheld against interlopers the trademark rights of various U.S. companies (*see supra* at 5). Nothing in the Helms-Burton Act was meant to undermine this spirit of cooperation on the part of Cuba to protect reciprocally intellectual property as required by the IAC.

Holding petitioners' treaty-based trademark rights abrogated was error not only because it looked to the wrong source for any arguable abrogation of the IAC (which logically would have had to come from the TWEA), and not only because it is inconsistent with this Court's decisions applying the TWEA to be protective of, not destructive of, intellectual property rights. *See Clark* v. *Allen*, 331 U.S. 503 (1947) (outbreak of *war* does not necessarily suspend or abrogate treaty provisions and the policy of the TWEA is not incompatible with and does not bar enforcement of rights arising under treaties). The court of appeals profoundly misunderstood the respect afforded treaties for the protection of intellectual property rights during the pendency of U.S. embargoes, and this Court should therefore grant review to ensure the future preservation of these valuable treaty rights.

II. The Decision Below Effectively Bars Companies Subject To U.S. Embargoes From Bringing False Designation Of Origin And Unfair Competition Claims, Contrary To Statutory And Treaty Rights.

The court of appeals held that petitioners' present failure to do business in the United States because of the Cuban embargo deprived them of standing to challenge Bacardi's false designation of the origin of Bacardi's Bahamian rum as "Havana Club" because the harm petitioners face purportedly was too "temporally remote." That holding fails to give effect to the Lanham Act and the IAC, and conflicts with the approach other circuits take to standing under Section 43(a) of the Lanham Act.

Section 43(a) of the Lanham Act permits "any person who believes that he or she is *likely* to be injured" to sue any party that "uses in commerce any * * * name" that is "likely to cause confusion * * * as to the origin * * * of his goods," or that "misrepresents the * * * geographic origin of his or her or another person's goods." 15 U.S.C. § 1125(a) (emphasis added). Section 44(h) of the Lanham Act provides that any person from a country that has signed a treaty with the U.S. such as the IAC

is "entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition." 15 U.S.C. § 1126(h).[10] The conduct that Section 44(h) targets is defined by the underlying treaties that the section enforces, and the IAC specifically defines unfair competition to include "[t]he use of false indications of geographical origin * * * which tend in that respect to deceive the public in the country in which these acts occur." IAC Art. 21.[11]

The court of appeals' conclusion that petitioners suffer no concrete effects from the wholesale appropriation of their name and brand identity in a market they plan to enter (and from which an identifiable number of their customers *now* come) is clearly wrong. Petitioners did not bring this case because they seek the

---

[10] Specifically, Section 44(h) of the Lanham Act refers to persons designated by Section 44(b) of the Act, which in turn provides: "Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party * * * shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention * * * *in addition to* the rights to which any owner of a mark is otherwise entitled by this chapter." 15 U.S.C. § 1126(b) (emphasis added). The italicized language makes clear that the rights available under treaties such as the Inter-American Convention are *additional to*, not limited by, the specific remedies of the Lanham Act.

[11] *See also* IAC Art. 23 ("Every indication of geographical origin or source which does not actually correspond to the place in which the article, product or merchandise was fabricated, manufactured, produced or harvested, shall be considered fraudulent and illegal, and therefore prohibited."). Petitioners have the right to "take and prosecute the necessary actions and proceeding" in U.S. courts (IAC Art. 31) to ensure that Bacardi's false designation "will be repressed" (IAC Art. 30).

"psychic satisfaction" of knowing "that the [Lanham Act is] faithfully enforced," *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 107 (1998), or to have a court determine the validity of their trade name "*in thesi*," *Marye v. Parsons*, 114 U.S. 325, 328-30 (1885). They brought suit because their fierce worldwide competitor, in a self-described effort to "preempt" petitioners' market standing, has threatened their current sales to one group of U.S. customers and impaired their ability to enter the largest potential market for their products under their worldwide trademark and trade name as soon as the embargo ends. There is no doubt here that petitioners "personally would benefit in a tangible way from the court's intervention." *Steel Co.*, 523 U.S. at 104 n.5 (*quoting Warth v. Seldin*, 422 U.S. 490, 508 (1975)).

First, the court of appeals improperly downplayed the fact that petitioners *do* sell significant quantities of HAVANA CLUB to U.S. customers at present — namely, to the over 250,000 U.S. residents who have made authorized visits to Cuba in recent years and who have made HAVANA CLUB one of the most popular items to bring back to the States. These travelers, 75% of whom bring HAVANA CLUB back to the United States, are real customers, and any dilution of petitioners' brand identity among them is a concrete injury sufficient for standing. *See Imperial Tobacco Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1580 & n. 7 (Fed. Cir. 1990) (U.S. tobacco company has standing to challenge United Kingdom company's use of a similar brand name abroad, because "some prospective U.S. purchasers of cigarettes, particularly travelers, would be likely to attribute [the British company's] cigarettes to Philip Morris, if sold in the United States"). Although the district court quibbled with one survey petitioners used to demonstrate the

potential for confusion,[12] it is self-evident that U.S. travelers who are used to seeing a rum on the shelves back home called "Havana Club" will be less likely to appreciate petitioners' HAVANA CLUB as a uniquely Cuban product (and souvenir) unavailable in the United States and, further, on their return to the United States they might assume that a bogus "Havana Club" sold in the U.S. by respondents is the genuine article they were introduced to in Cuba. Indeed, when one company sets out in bad faith to copy another's brand identity, the law *presumes* that the company's actions have caused confusion, and the burden is on the copier to demonstrate otherwise. *See, e.g., Daddy's Junky Music Stores v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 286 (6th Cir. 1997); *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 586-87 (2d Cir. 1993).

Second, the court's suggestion that petitioners cannot suffer injury from actions designed to "preempt" their eventual entry into the U.S. market, merely because they are not currently allowed to compete here, ignores the plain fact that Bacardi's actions have real commercial significance. The loss of a *future* business opportunity is still a concrete loss, even if that opportunity is contingent on a change in the law. *See Clinton v. City of New York*, 524 U.S. 417(1998) (standing based on chance that line-item vetoed tax provision would have encouraged some future processor to sell facilities to plaintiffs);

---

[12] The district court discounted a survey petitioners presented showing that a significant number of U.S. residents believed that sales of Cuban rum in the U.S. are legal (and thus would be unlikely to recognize Bacardi's "Havana Club" as a non-Cuban product) on the ground that travelers to Cuba would likely know better, and the appellate court simply repeated this finding. But this (purely speculative) assertion does not obviate the real risk that, as a result of Bacardi's deliberate appropriation of petitioners' trade name, these travelers would still assume some affiliation between the Bahamian "Havana Club" sold in the U.S. and the Cuban HAVANA CLUB sold in Cuba and throughout the world.

Bryant v. Yellen, 447 U.S. 352 (1980) (standing based on possibility that change in Department of Interior rule would encourage landowners to sell land to plaintiffs). The mere fact that an injury may have the most bite in the future is no obstacle to standing; this Court has regularly found standing where the completed injury was some time off. *See, e.g., Metropolitan Washington Airports Auth. v. Citizens for the Abatement of Aircraft Noise, Inc.*, 501 U.S. 252 (1991); *Duke Power Co. v. Carolina Env't Study Group, Inc.*, 438 U.S. 59 (1978).[13] And however temporally remote the court of appeals thought the date on which the embargo's relaxation will permit petitioners to enter the U.S. market, certainly *Bacardi* thought competition from petitioners to be sufficiently imminent that a massive effort to "preempt" their entry by usurping their trade name and trademark was justified.

Indeed, the decision of the court of appeals is in conflict with the manner in which other circuits have applied Section 43(a), and in at least the First, Sixth and Ninth Circuits petitioners would have standing to pursue their trade name claim. *See Camel Hair & Cashmere Institute of Am., Inc.* v. *Associated Dry Goods Corp.*, 799 F.2d 6, 12 (1st Cir. 1986) (granting association standing despite no direct harm to it because "a showing that the defendant's activities are likely to cause confusion or to deceive consumers suffices to warrant injunctive relief"); *American Council of Certified Podiatric Physicians & Surgeons* v. *American Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 618 (6th Cir. 1999) (using a "lower standard [for standing to demand injunctive relief] because when an injunction is sought, courts may protect the customers without fear of

---

[13] *Cf. Babbitt v. United Farm Workers Nat'l Union*, 442 U.S. 289, 298 (1979) ("[O]ne does not have to await the consummation of threatened injury to obtain preventive relief. If the injury is certainly impending, that is enough.")

bestowing an undeserved windfall on the plaintiff"); *Southland Sod Farms* v. *Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir. 1997) ("a competitor *need not prove injury* when suing to enjoin conduct that violates section 43(a)") (internal quotations omitted) (emphasis added); *Waits* v. *Frito-Lay, Inc.*, 978 F.2d 1093, 1110 n.9 (9th Cir. 1992) (granting singer standing to challenge advertising of snack food, because "*competition is unnecessary * * * to the determination of standing under section 43(a)*" — what matters is that the false association can "*confuse consumers*") (emphasis added); *see generally* 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 27:31 at 27-50 (2000) ("[T]he courts are not and should not be reluctant to allow a commercial plaintiff to obtain an injunction even where the likelihood of provable impact on the plaintiff may be subtle and slight.").[14]

Third, the decision below impairs Congress' goal of protecting consumers. The Lanham Act does not exist simply to protect competitors; there is an "additional rationale underlying Section 43(a) — consumer protection," *Harper House, Inc.* v. *Thomas Nelson, Inc.*, 889 F.2d 197, 210 (9th Cir. 1989), which independently justifies the use of a broad approach to standing, but which the court below simply ignored. *See* S. Rep. No. 1333, *reprinted in* 1946 U.S.C.C.A.N. at 1274. As a leading commentator on the Lanham Act has observed:

---

[14] Prior to 1988, there would have been no question that petitioners had standing under Section 43(a) of the Lanham Act. As the Second Circuit acknowledged, the pre-1988 statute expressly conferred standing in a false origin case on *any* person who did business in the locality falsely indicated as that of origin, without regard to whether that person had suffered any competitive or commercial injury. *See* Trademark Act of 1946 § 43(a), 60 Stat. 427, 441. Moreover, the legislative history reveals that Congress did not intend to narrow the law relating to Section 43(a) standing.

> The only type of plaintiff that should be denied the opportunity to prove [Section 43(a) claims] is the 'mere intermeddler' who is minding other people's business. The theory of the commercial plaintiff as the 'vicarious avenger' of consumer interests is clearly at work in these cases [where the standing requirements developed by the courts may appear quite liberal].

4 MCCARTHY ON TRADEMARKS § 27:31 at 27-50. The decision below departs from that sensible approach and impairs the consumer protection objectives of the Lanham Act.

Fourth, the decision below is also at odds with the binding judgment of both political branches dating to World War I, embodied in treaty, legislation and implementing regulations, that rights to intellectual property and against unfair competition secured by international treaty obligations should be enforceable in U.S. courts while embargoes are in place (and even during wartime) by foreign companies that are temporarily barred from U.S. markets, so as (a) to obtain reciprocal protection for U.S. companies, and (b) to provide some basis for eventual postwar or post-crisis reconstruction and reconciliation. *See, e.g.*, TWEA § 10(g), 50 U.S.C. App., § 10(g) ("Any enemy, or ally of enemy, may institute and prosecute suits in equity against any person * * * to enjoy infringement of letters-patent, trade-mark, print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner and to the extent that he would be entitled so to do if the United States was not at war.").

Finally, the court of appeals was not free to ignore the way in which the Lanham Act and the IAC themselves support petitioners' standing to complain of false designation of origin under Section 43(a). In this Court's words, the statute and treaty "elevat[e] to the status of legally cognizable injuries concrete, de facto injuries that were previously inadequate at law." *Lujan v.*

Defenders of Wildlife, 504 U.S. 555, 578 (1992).[15] Article 21(c) of the IAC specifically defines "[t]he use of false indications of geographical origin * * * which tend in that respect to deceive the public in the country in which these acts occur" as an act of "unfair competition" that "shall be repressed," and Section 44(h) of the Lanham Act authorizes any party from a signatory country suffering such "unfair competition" to bring an action to "repress" it. App., *infra*, 105a, 117a. Where statute and treaty have "broaden[ed] . . . the categories of injury that may be alleged in support of standing," *Lujan*, 504 U.S. at 578, the court of appeals may not ignore these injuries as too remote.

In short, the court of appeals has adopted a narrow rule of standing that conflicts with the broader approach most courts take. This narrow rule operates to deny all companies with an interest in products of Cuban origin the ability to use the Lanham Act to protect their interests in fair competition, as guaranteed by the Inter-American Convention and Lanham Act § 44(h). The appellate court's rule has the practical effect of repudiating this country's treaty obligation to give affected companies from signatory countries "sufficient legal authority to take and prosecute the necessary actions and proceedings before * * * the courts" to enforce their rights. *See* IAC Art. 31, App., *infra*, 108a.

---

[15] *Lujan* specifically cites "injury to a company's interest in marketing its product free from competition" as a statutorily-created interest sufficient to support standing. 555 U.S. at 578 (*citing Hardin v. Kentucky Utils. Co.*, 390 U.S. 1, 6 (1968)).

III. The Decision Dismissing HCI's Trade Name Infringement Claim Based On Section 211 Conflicts With Supreme Court Precedent Precluding Retroactive Application Of Statutes That Attach New Legal Consequences To Events Completed Before Their Enactment.

The court of appeals held that as applied Section 211 has no retroactive impact, despite undermining petitioners' settled expectations and severely damaging their investments in developing the HAVANA CLUB business, "[b]ecause HCI seeks only injunctive relief" (App., *infra*, 24a). This categorical approach conflicts with *Martin v. Hadix*, 527 U.S. 343, 358 (1999), and *Hughes Aircraft Co. v. United States,* 520 U.S. 939, 946-47 (1997), which expressly held that determination of whether a statute has impermissible retroactive impact does not depend on labels or categorical unrebuttable presumptions.

Justice O'Connor's opinion for eight justices in *Martin* cautioned that

> [t]he inquiry into whether a statute operates retroactively demands a common sense, functional judgment about "whether the new provision attaches new legal consequences to events completed before its enactment." [*Landgraf v. USI Film Prods.*, 511 U.S. 244 (1994)] at 270. This judgment should be informed and guided by "familiar considerations of fair notice, reasonable reliance, and settled expectations."

527 U.S. at 357. A court must ask

> whether the new statute would * * * impair rights a party possessed when he acted, increase a party's liability for past conduct, or impose new duties with respect to transactions already completed.

Landgraf v. USI Film Prods., 511 U.S. at 280; *see also Hughes Aircraft Co.*, 520 U.S. at 947.

This Court has sharply criticized the view that labels can substitute for the required retroactivity analysis:

> *Attaching [labels] does not advance the retroactivity inquiry* * * * * While it may be possible to generalize about types of rules that ordinarily will not raise retroactivity concerns, *see, e.g., id.*, at 273-275, these generalizations do not end the inquiry * * * * *When determining whether a new statute operates retroactively, it is not enough to attach a label* * * * we must ask whether the statute operates retroactively.

Martin, 527 U.S. at 359 (emphasis added); *see also Hughes Aircraft*, 520 U.S. at 946-47 (same); *cf. Eastern Enters. v. Apfel*, 524 U.S. 498, 532 (1998) ("even though the Act mandates only the payment of future health benefits, it nonetheless 'attaches new legal consequences to [an employment relationship] completed before its enactment'").

Notwithstanding this Court's repeated reminder that the required analysis cannot be replaced by categorical presumptions or reliance on labels, the *only* reason given by the Second Circuit for holding Section 211 not impermissibly retroactive under the circumstances was that "HCI seeks only injunctive relief." App., *infra*, 24a (citing dictum in *Landgraf*, 511 U.S. at 273, that "[w]hen [an] intervening statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive"). But categorical application of that dictum, as the court did below, is the very opposite of the "common sense, functional judgment * * * informed and guided by 'familiar considerations of fair notice, reasonable reliance, and settled expectations' " that this Court emphasized is the touchstone of the retroactivity inquiry. *Martin*, 527 U.S. at 358.

Section 211 prescribes no new rules for primary conduct. It is not addressed to jurisdiction, nor is it even specifically addressed to the propriety of injunctive relief (because it bars certain trade name and trademark owners from enforcing treaty

rights regardless of the relief sought). It is not a rule, like that in the two decisions of this Court relied on by the court of appeals (App., *infra*, 23a), that newly authorizes injunctive relief for previously illegal conduct. *See Duplex Printing Press Co. v. Deering*, 254 U.S. 443, 464 (1921); *American Steel Foundries v. Tri-City Cent. Trades Council*, 257 U.S. 184, 201 (1921).

Rather, Section 211, as applied, prohibits enforcement of treaty rights unless consent is obtained from prior owners of similar marks, whose rights have long-since expired and been abandoned. Here, Section 211 gives JASA (and its successor Bacardi) a veto power over judicial enforcement of HCI's trade name rights under the IAC and the Lanham Act, notwithstanding that JASA long ago abandoned any right and interest in the U.S. "Havana Club" trademark *and petitioners and their investors relied on that abandonment.* Section 211 thereby attaches new legal consequences to events completed long before its enactment, and impairs rights that Pernod Ricard, HRL and petitioners lawfully acquired under the IAC when they acted, in reliance on JASA's abandonment, to invest in and develop the HAVANA CLUB rum business. Section 211 is no different from a statute newly depriving homeowners of the existing right to protect their property unless the consent of prior owners is obtained — a law that would plainly be retroactive in its destructive effect on settled rights and expectations.

Petitioners' investment decisions and business plans, and those of petitioners' investors, were made in reliance on the law as it had existed for many decades, under which companies that abandon their rights have no blocking rights, and the cessation of all business activity for more than a few years creates a strong presumption of abandonment. Had petitioners known when they decided to invest in and develop the HAVANA CLUB rum business worldwide from 1993 to 1998 that descendants of former shareholders in a long-defunct Cuban corporation would one day be given a veto power over enforcement of petitioners'

rights, their basic investment decisions would plainly have been different.

The Court should grant review to clarify that the "common sense, functional judgment" that is the touchstone of the retroactivity inquiry must be undertaken even when a party seeks only injunctive relief.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

Charles S. Sims
Counsel of Record
Proskauer Rose LLP
1585 Broadway
New York, NY 10036
(212) 969-3950
Counsel for Petitioners

Of Counsel:
Gregg Reed
Joshua J. Pollack

APPENDIX

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 1999

(Argued October 13, 1999 Decided February 4, 2000)
Docket No. 99-7582

HAVANA CLUB HOLDING, S.A., HAVANA CLUB INTERNATIONAL, S.A.,
Plaintiffs-Counter-Defendants-Appellants,

-against-

GALLEON S.A., BACARDI-MARTINI USA, INC.,
Defendants-Counter-Claimants Appellees,

GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS INC., PREMIER WINE AND SPIRITS,
Defendants-Appellees.

Before: WINTER, Chief Judge, NEWMAN, and SOTOMAYOR, Circuit Judges.

Appeal from the June 28, 1999, judgment of the United States District Court for the Southern District of New York (Shira A. Scheindlin, District Judge), dismissing, after a bench trial, Lanham Act claims for trademark and trade name infringement and for false advertising. The District Court held the infringement claims barred by statutory and regulatory provisions of the Cuban embargo and rejected the false advertising claim for lack of standing, related to the embargo.

Affirmed.

Charles S. Sims, New York, N.Y. (Joshua J. Pollack, Jenifer Paine, Proskauer Rose LLP; Michael, Krinsky, Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., New York, N.Y., on the brief), for plaintiffs-appellants.

William R. Golden, Jr., New York, N.Y. (Michelle M. Graham, Margaret Ferguson, Scott H. Mandel, Kelley Drye & Warren LLP, New York, N.Y., on the brief), for defendants-appellees.

(Mark Traphagen, Brett G. Kappel, David C. Quam, Marinn F. Carlson, Powell, Goldstein, Frazer & Murphy, Washington, D.C., submitted a brief for amicus curiae Organization for International Investment).

JON O. NEWMAN, Circuit Judge:

This appeal, raising issues concerning the Cuban embargo, arises from a dispute between two rum producers over the rights to the "'Havana Club" trademark and trade name. Havana Club Holding, S.A. ("HCH") and Havana Club International, S.A. ("HCI") appeal from the June 28, 1999, judgment of the United States District Court for the Southern District of New York (Shira A. Scheindlin, District Judge) , dismissing trademark, trade name, and false advertising claims against Defendants-Appellees Bacardi & Company Ltd. and Bacardi-Martini USA, Inc. We conclude that the Cuban embargo barred assignment to HCH of the "Havana Club" trademark registered in the United States, that we are precluded by statute from enforcing whatever rights HCI might have to trade name protection under the General Inter-American

Convention for Trade Mark and Commercial Protection, and that HCI lacks standing to assert its false advertising and unfair competition claims under the Lanham Act. We therefore affirm.

Background

Plaintiff-Appellant HCI is a joint stock company organized under the laws of Cuba, with its domicile and principal place of business in Cuba. Plaintiff -Appellant HCH, a Luxembourg corporation, owns the "Havana Club" trademark in certain countries outside the United States. Defendant-Appellee Bacardi Company is a corporation organized in Liechtenstein and headquartered in the Bahamas, and Defendant-Appellee Bacardi-Martini USA is a Delaware corporation (collectively "'Bacardi"). Defendant Galleon S.A. has merged into Bacardi & Company.

Before the Cuban revolution, Jose Arechabala, S A. ("JASA"), a Cuban corporation owned principally by members of the Arechabala family, produced "Havana Club" rum and owned the trademark "Havana Club" for use with its rum. JASA exported its rum to the United States until 1960, when the Cuban government, under the leadership of Fidel Castro, seized and expropriated JASA' s assets. Neither JASA nor its owners ever received compensation for the seized assets from the Cuban government.

The Cuban embargo. In 1963, the United States imposed an embargo on Cuba, reflected in the Cuban Assets Control Regulations ("CACR") , as amended, 31 C.F.R. §§ 515.101-515.901 (1999), promulgated pursuant to section 5(b) of the Trading with the Enemy Act of 1917, as amended, 12 U.S.C. § 95a ("TWEA"). In 1996, Congress enacted the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act ("LIBERTAD Act"), Pub. L. No. 104-114, 110 Stat. 785 (1996), which, among other things, codified the regulations implementing the Cuban embargo, see 22 U.S.C. § 6032 (h).

The Secretary of the Treasury has the authority to administer the Cuban embargo, which he has delegated to the Office of Foreign Assets Control ("OFAC"), see 31 C.F.R. § 515.802.

The trademarks and their assignment. From 1972 to 1993, Empresa Cubana Exportadora De Alimentos y Productos Varlos ("Cubaexport") , a Cuban state enterprise, exclusively exported "Havana Club" rum, primarily to Eastern Europe and the Soviet Union. Cubaexport registered the "Havana Club" trademark with Cuban authorities in 1974 under Registration No. 110,353, and with the United States Patent and Trademark Office ("USPTO") in 1976 under Registration No. 1,031,651. In 1993, Cubaexport sought to reorganize and find a foreign partner for its "Havana Club" rum business. Havana Rum & Liquors, S.A. ("HR&L"), a newly formed Cuban company, entered into a joint venture agreement with Pernod Ricard, S.A. ("Pernod"), a French company distributing liquor internationally. Under a November 1993 agreement between Pernod and HR&L, HCI and HCH were formed. In an agreement dated January 10, 1994, Cubaexport assigned trademark Registration No. 1,031,651, the United States registration for the "Havana Club" trademark, to HR&L, and in a subsequent agreement dated June 22, 1994, HR&L assigned this trademark to HCH. In 1996, HCH renewed the United States registration of the "Havana Club" mark for a term of ten years.

In April 1997, Bacardi & Co. purchased the Arechabala family's rights (if any) to the "Havana Club" trademark, the related goodwill of the business, and any rum business assets still owned by the Arechabala family.

OFAC's actions concerning the assignments. After an October 5, 1995, application to OFAC for a "specific" license authorizing the 1994 assignments of the "Havana Club" trademark from Cubaexport to HR&L, and from, HR&L to

HCH,[1] OFAC, on November 13, 1995, issued to Cubaexport License No C-18147, which approved the two assignments and authorized all necessary transactions incident to the assignments of the mark.

However, on April 17, 1997, after the instant lawsuit was filed in the District Court, OFAC issued a Notice of Revocation, revoking License No. C-18147. The revocation notice stated:

> You are notified that, as a result of facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995, License No. C-18147 . . . is hereby revoked retroactive to the date of issuance. The determination to revoke License No. C-18147 is made pursuant to § 515.805 of the Cuban Assets Control Regulations, 31 C.F.R. Part 515. Any action taken under this specific license from the date of issuance until now is null and void as to matters under the jurisdiction of the Office of Foreign Assets Control.

The parties' sales of rum. Since 1994, HCI has exported rum under the "Havana Club" trademark under an exclusive license to that mark from HCH. From 1994 to 1998, HCI sold over 38 million bottles of "Havana Club" rum, with

---

[1] The CACR authorizes both "general" licenses, see 31 C.F.R. § 515.317, which permit classes or categories of transactions with Cuban nationals, see, e.g., id. § 515.542(a) (common carriers of mail), and "specific" licenses, see id. § 515.318, which require individualized determinations and approvals by OFAC, see, e.g., id. § 515.521 (authorizing specific licenses to unblock shares of qualifying United States permanent residents in "U.S.-located assets" of Cuban corporations).

approximately 30 percent of the sales in Cuba-- including sales to Americans traveling in Cuba--and the remainder exported principally to Spain, France, Germany, Italy, Canada, Mexico, Bolivia and Panama. Under travel regulations imposed by OFAC, the class of travelers permitted to visit Cuba may reenter the United States with up to $100 in Cuban origin goods for personal use. Havana Club rum and cigars are the most popular items brought back.

Because of the Cuban embargo, however, HCI's "Havana Club" rum has never been sold in the United States. HCI intends to export its rum to the United States as soon as legally possible. HCI anticipates using its current marketing strategy of emphasizing the quality and character of its rum based primarily upon its Cuban origin. The label on HCI's "Havana Club" rum portrays the city of Havana and contains the phrase "El Ron de Cuba" ("The Rum of Cuba"). HCI's advertising also stresses the product's Cuban origin.

Beginning in 1995, Bacardi-Martini's predecessor-in-interest, Galleon S.A., produced rum in the Bahamas bearing the "Havana Club" name, and distributed sixteen cases of this rum in the United States. From May 1996 to August 1996, Bacardi distributed an additional 906 cases of "Havana Club" rum in the United States.

The pending lawsuit. In December 1996, HCH and HCI filed the instant action to enjoin Bacardi from using the "Havana Club" trademark, alleging violations of sections 32 and 43(a) of the Trademark Act of 1946 ("Lanham Act"), as amended, 15 U.S.C. §1114, 1125(a). Among Bacardi's defenses was a claim that OFAC's specific license to HCH, authorizing the assignments of the U.S. trademark, was invalid because HCH obtained the mark by fraud. In March 1997, the District Court ruled that Bacardi lacked standing to challenge OFAC's specific license to HCH and that OFAC's decision to grant the specific license was unreviewable. See Havana Club Holding,

S.A. v. Galleon, S.A., 961 F. Supp. 498 (S.D.N.Y. 1997) ("Havana Club I").

In August 1997, the District Court ruled that HCH had no rights to the "Havana Club" trademark because the specific license to assign the mark to HCH had been nullified by OFAC's revocation of the specific license and because the CACR's general license authority under 31 C.F.R. § 515.527(a) did not authorize the assignment. See Havana Club Holding, S.A. v. Galleon, S.A., 974 F. Supp. 302, 306-07 (S.D.N.Y. 1997) ("Havana Club II").[2] After rejecting the Appellants' claim of rights to the "Havana Club" mark, the Court granted the Appellants' motion to amend their Complaint to assert rights to the "Havana Club" trade name under sections 44(g) & 44(h) of the Lanham Act, as amended, 15 U.S. C. §1126 (g), (h), and Chapter III of the General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, 2926-30 ("IAC") . Both Cuba and the United States are signatories to the IAC. See IAC, 46 Stat. at 2907. The District Court subsequently dismissed several counterclaims. See Havana Club Holding, S.A. v. Galleon, S.A., No. 96 CIV. 9655 (SAS) , 998 WL 150983 (S.D.N.Y. Mar. 31, 1998) ("Havana Club III").

During the bench trial, the District Court ruled that HCH a Luxembourg corporation, could not claim rights to trade name protection under the IAC because Luxembourg was not a party to the IAC. See Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, 1089 (S.D.N.Y. 1999) ("Havana Club IV") After trial, the District Court ruled that it was

---

[2] Although acknowledging that the nullification of the assignment caused the rights in the mark to revert to Cubaexport, the assignor, the District Court did not cancel the United States registration for "Havana Club" because Cubaexport was not a party to the litigation. See id. at 311-12.

prohibited from enforcing HCI's trade name rights under the IAC by section 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Pub. L. No. 105-277, 211(b), 112 Stat. 2681, 2681 88 (1998) ("Omnibus Act"), which Congress enacted on October 21, 1998. See Havana Club IV, 62 F. Supp. 2d at 1091-95.

The District Court also ruled that HCI lacked standing to assert its claim under section 43(a) of the Lanham Act. HCI had alleged that Bacardi's use of the mark, "Havana Club" and its label -- which features a sketch of Malecon, a seafront boulevard in Havana falsely designated Cuba as the place of origin of Bacardi's rum, when in fact Bacardi produced it in the Bahamas. The District Court held that HCI had no standing to pursue this claim, because the Cuban embargo prevented HCI from selling its rum in the United States, and thereby from suffering commercial injury because of Bacardi's actions. The District Court added, "Any competitive injury plaintiffs will suffer based upon their intent to enter the U.S. market once the embargo is lifted is simply too remote and uncertain to provide them with standing." Havana Club IV, 62 F. Supp. 2d at 1099. An amended judgment was entered on June 28, 1999.

Discussion

I. Trademark

HCH contends that Bacardi infringed its rights to the "Havana Club" trademark registered in the United States. The basic issue on the trademark claim is whether HCH has any rights to the mark. Although HCH purported to acquire rights by assignments from Cubaexport to HR&L and from HR&L to HCH, HCH recognizes that to have enforceable rights in the United States, it must find authority for the assignment somewhere in United States law, because in the absence of such authority, the Cuban embargo renders null and void the transfer of trademark registrations in which a Cuban national or entity

has an interest.[3]

As authority for the assignments, HCH's Complaint in this litigation initially invoked the "specific" license issued by OFAC in November 1995, which "licensed" the assignments. However, after OFAC revoked the specific license in 1997, HCH has relied on the "general licensing authority in 31 C.F.R. § 515.527.[4] Section 515.527 (a) states:

---

[3] Unless authorized, the Cuban embargo prohibits, with respect to property in which a Cuban national or entity has an interest, (1) "[a]ll dealings in, including, without limitation, transfers . . . of, any property . . . or evidences of ownership of property by any person subject to the jurisdiction of the United States"; (2) "[a]ll transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States"; and (3) "[a]ny transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions" above. 31 C.F.R. § 515.201(b), (c).

These prohibitions apply where a Cuban national or entity has an interest of "any nature whatsoever, direct or indirect," in the property transferred. Id. § 515.312. The embargo defines "property" to include trademarks, see id. § 515.311, and specifically defines "transfer" to include "the making, execution, or delivery of any assignment," id. § 515.310. Any transfer of property in violation of the Cuban embargo "is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property." Id. § 515.203(a).

[4] The Appellants' initial brief in this Court implies some reliance on the special license by asserting that "cancellation of HCH's interest in the Registration" violates treaty rights under

(continued...)

> Transactions related to the registration and renewal in the United States Patent and Trademark Office ... in which . . . a Cuban national has an interest are authorized.

31 C. F.R. § 515.527 (a) (1) (emphasis added). This provision was added in 1995, more than a year after HCH became the assignee of the "Havana Club" trademark. See Certain Transactions With Respect To United States Intellectual Property, 60 Fed. Reg. 54, 194, 54, 196 (1995). HCH contends that, even though OFAC revoked the specific license to assign the "Havana Club" trademark, the assignments remain valid under the general authorization of section 515.527(a)(1) as transactions "related to" the registration and renewal of a trademark. HCH also contends that if section 515.527(a)(1) is not construed to authorize the assignments, HCH will be denied treaty rights protected by the IAC. We disagree with both arguments.

(a) Whether the CACR prohibit the assignments. Before considering the meaning of section 515.527(a)(1) , we encounter an express prohibition against HCH's claim set forth earlier in Subpart E of Part 515,[5] which contains section 515.527 (a) (1). Section 515.502(a) provides:

(...continued)
the IAC, see Brief for Appellants at 55, suggesting that the cancellation, if unlawful, leaves the special license in force. We consider the IAC issue below. However, the reply brief unequivocally asserts, "The core issue is whether the CACR general license covers the transfer . . . ." Reply Brief for Appellants at 26.

[5] The CACR constitute Part 515 of Chapter V (Office of Foreign Assets Control, Department of the Treasury) in Subtitle B of Title 31 of the Code of Federal Regulations.

> No . . . authorization contained in this part . . . shall be deemed to authorize or validate any transaction effected prior to the issuance thereof, unless such . . . authorization specifically so provides.

31 C.F.R. § 515.502(a) (emphasis added). The assignments for which HCH claims to find authorization in section 515.527 were "effected" in 1994, prior to the issuance of section 515.527 in 1995, see 60 Fed. Reg. 54, 194, 54, 196 (1995) (effective Oct. 17, 1995), and section 515.527(a)(1) does not "specifically so provide [ ]" for authorization of transactions that occurred prior to its issuance. Therefore, whether or not section 515.527(a)(1) might be interpreted to authorize assignments occurring after its effective date, this provision cannot authorize the 1994 assignments of the "Havana Club" trademark to HCH.[6]

Even if section 515.502(a) were not an obstacle, we would not accept HCH's argument that section 515.527(a)(1) should be interpreted to authorize the 1994 assignments as transactions "related to" a trademark renewal. Although phrases like "related to" are properly given a broad meaning in some statutes and regulations, see, e.g., Shaw v. Delta Air Lines, Inc., 463 U.S. 85, 96-97 (1983) (determining that a state law "relates to" employee benefit plans for purposes of ERISA preemption under 29 U.S.C. § 1144(a)), the context in which the phrase is used illuminates its meaning. In Shaw, the ERISA context and the congressional purpose to achieve broad

---

[6] If HCH were to meet the obstacle of section 515.502(a) by obtaining assignments of the "Havana Club" trademark from Cubaexport now (after issuance of section 515.527(a)(1)), it would encounter the further obstacle of section 211(a)(1) of the Omnibus Act, discussed below, which, without any issue as to retroactivity, would prohibit future assignments of confiscated trademarks without the consent of the original owner.

preemption warranted a broad reading of the phrase. By contrast, the context here precludes a broad reading. Section 515.527(a)(1) creates an exception to the broad prohibitions of the Cuban embargo. If every assignment of a trademark, for which the registration was subsequently renewed, were considered a transaction "related to" trademark renewal, the exception created by section 515.527(a)(1) would swallow much of the general rule of the Cuban embargo prohibiting transfers of trademarks.

Even if the text of section 515.527(a)(1) arguably applied to the assignments at issue, OFAC, the agency that promulgated the provision and that administers the Cuban embargo, interprets section 515.527 not to authorize assignments. R. Richard Newcomb, Director of OFAC, stated in a 1996 letter to Appellee's counsel that section 515.527

> allows only for the registration and renewal of intellectual property; § 515.527 does not convey to the registrant the authority to assign the registrant's interest in a patent, trademark, or copyright registered in the United States to another person. Such an assignment would require authorization by OFAC in the form of a specific license . . . In the absence of OFAC authorization, the assignment of rights to the U.S.-registered trademark would be null and void.

Under this interpretation, only Cubaexport, the original registrant of the United States registration for the "Havana Club" trademark, has the authority to renew the "Havana Club" trademark, and a specific license is required in order to assign it.[7]

---

[7] The Appellants inform us that HCH and HR&L have applied to OFAC for a second specific license, following

(continued...)

Article 11 of the IAC. HCH contends that failure to recognize its rights as assignee of the United States registration for the "Havana Club" trademark would nullify rights guaranteed by Article 11 of the IAC. Article 11 provides:

> The transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

46 Stat. at 2922-24. Since the "Havana Club" mark registered in the United States was originally registered in Cuba and was transferred in accordance with Cuban law, Article 11 purports to assure that the transfer to HCH will be recognized in the United States. The disputed issue is whether the Cuban embargo has abrogated the rights that Section 11 of the IAC would otherwise protect.

A "treaty will not be deemed to have been abrogated or modified by a later statute unless such purpose on the part of Congress has been clearly expressed." Cook v. United States, 288 U.S. 102, 120 (1933) (emphasis added); see Trans World Airlines, Inc. v. Franklin Mint Corp., 466 U.S. 243, 252 (1984); Chew Heong v. United States, 112 U.S. 536, 539-40 (1884). Although neither the CACR nor the LIBERTAD Act refers expressly to the IAC, the question of abrogation does not turn on whether the IAC has been expressly identified for

---

[7] (...continued)
revocation of the first specific license. See Reply Brief for Appellants at 31.

abrogation. Congress is not required to investigate the array of international agreements that arguably provide some protection that it wishes to annul and then assemble a check-list reciting each one. What is required is a clear expression by Congress of a purpose to override protection that a treaty would otherwise provide.

With respect to the Cuban embargo, the purpose of Congress could not be more clear. Congress wished to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or otherwise transferring rights subject to United States jurisdiction. The CACR make this clear, and the LIBERTAD Act, by codifying the CACR, provides unmistakable evidence of congressional purpose. We must therefore accord primacy to the prohibition of the CACR that bars a Cuban national or entity from transferring a United States trademark.

HCH contends that since the "relates to" phrase of section 515.527(a)(1) could be interpreted to authorize the assignments at issue, the interpretation favoring HCH should be adopted in order to avoid a conflict with section 11 of the IAC. We disagree. First, that argument fails to reckon with the absolute prohibition of section 515.502(a), which prevents section 515.527(a)(1) from validating assignments that were made before the issuance of the latter provision. Second, wholly apart from section 515.502(a), section 515.527(a)(1) cannot be interpreted as HCH contends without substantially undermining the CACR's general prohibitions, as applied to United States trademarks. Thus, we would reject HCH's interpretation even if we did not have the benefit of OFAC's interpretation. Third, even if the interpretation of section 515.527(a)(1) were fairly debatable, the interpretation of the provision given by the agency charged with enforcing the embargo is normally controlling. See Auer v. Robbins, 519 U.S. 452, 461 (1997) (agency interpretation of its own regulation is "controlling unless plainly erroneous or

inconsistent with the regulation") (internal quotation marks omitted); cf. Paradissiotis v. Rubin, 171 F.3d 983, 987 (5th Cir. 1999) (noting that OFAC's application of its own regulations deserves greater deference than under Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984)); Consarc Corp. v. Iraqi Ministry, 27 F. 3d 695, 702 (D.C. Cir. 1994) (same). Whether or not deference to an administrative agency's interpretation of its own provisions would override treaty provisions in other contexts, we have no doubt that Congress, whose purpose we are ultimately obliged to follow on this issue, expects that OFAC's restrictive interpretation of section 515.527(a)(1) will override any conflicting treaty protection.

Moreover, in 1996, after OFAC promulgated section 515.527, Congress clearly expressed its intent to prohibit transfers of property, including intellectual property, confiscated by the Cuban government by enacting the LIBERTAD Act. Finding that the Castro government was "offering foreign investors the opportunity to purchase an equity interest in, manage, or enter into joint ventures" involving confiscated property in order to obtain "badly needed financial benefit, including hard currency, oil, and productive investment and expertise," 22 U.S.C. § 6081(5), (6), Congress established a civil remedy for any United States national owning a claim to "property" confiscated by the Cuban government after January 1, 1959, against "any person" who "traffics" in such property, id. § 6082(a)(1)(A), and broadly defined "property" specifically to include "trademarks," id. 6023(12)(A). By doing so, Congress intended "to create a 'chilling effect', that will deny the current Cuban regime venture capital, discourage third-country nationals from seeking to profit from illegally confiscated property, and help preserve such property until such time as the rightful owners can successfully assert their claim," H. Rep. No. 104-202, at 25 (1996), reprinted in 1996 U.S.C.C.A.N. 527, 530 (emphasis added). In other words, Congress sought to discourage

business arrangements like Cubaexport's joint venture with Pernod, the venture that led to both the creation of HCH and the assignments of a trademark confiscated by the Castro regime from JASA.[8]

By invoking the 1996 LIBERTAD Act as evidence of Congress's purpose to prohibit the assignments we do not retroactively apply that Act to prohibit the assignments in this case.[9] The 1994 assignments are unauthorized because OFAC revoked the specific license for them and the alleged source of a general licensing authority for them is unavailing. The LIBERTAD Act is simply evidence of congressional purpose that the result we reach should prevail over any contrary arguments, including those based on the IAC.

In the same vein, we note that Congress has recently explicitly spoken to restrict the scope of section 515.527. Section 211(a)(1) of the Omnibus Act provides:

---

[8] We need not determine whether JASA abandoned the "Havana Club" mark by not renewing that mark with the USPTO after the United States imposed the Cuban embargo. We note, however, that in 1962, two years after Cuba expropriated JASA's assets, Congress amended the Lanham Act to allow applications for renewing registered trademarks to show that "any nonuse" of the mark "is due to special circumstances which excuse such nonuse and it is not due to any intention to abandon the mark." Act of Oct. 9, 1962, Pub. L. No. 87-772, § 5, 76 Stat. 769, 770.

[9] Although a statute could be prospectively applied to bar an injunctive remedy with respect to a previously acquired property, it would arguably encounter retroactivity objections if applied, of its own force, to invalidate a prior acquisition. See generally Landgraf v. USI Film Products, 511 U.S. 244 (1994).

> Notwithstanding any other provisions of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

112 Stat. at 2681-88. Section 515.527 has been amended to include this restriction. See 31 C.F.R. § 515.527(a)(2).

As with the LIBERTAD Act, we cite section 211(a)(1) not to apply its terms to invalidate the 1994 assignments (an arguably retroactive application), but only to indicate that interpreting section 515.527(a)(1) not to authorize the assignments fully indicates Congress's purpose not to permit assignment of confiscated trademarks without the consent of the original owner. See West Virginia University Hospitals, Inc. v. Casey, 499 U.S. 83, 100 (1991) ("Where a statutory term presented to us for the first time is ambiguous, we construe it to contain that permissible meaning which fits most logically and comfortably into the body of both previously and subsequently enacted law.") (emphasis added).

For all of these reasons, HCH has no enforceable rights to the "Havana Club" trademark.

II. Trade Name Protection Under the Inter-American Convention

HCI contends that Bacardi infringed its rights under the IAC to protection of the "Havana Club" trade name. The IAC provides that any manufacturer "domiciled or established" in a signatory country that uses a particular trade name or commercial name may enjoin the use of that name in another signatory country that is "identical with or deceptively similar to" its trade name. IAC, art. 18, 46 Stat. at 2928-30. A trade or commercial name need not be a registered to be protected. See IAC, art. 14, 46 Stat. at 2926.

Rights to trade names and commercial names arising under treaties may be asserted under section 44(b) of the Lanham Act, which provides:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party . . . shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law. . . .

15 U.S.C. §1126 (b). Section 44(g) of the Lanham Act adds, "Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks." Id. § 1126(g). The terms "trade name" and "commercial name" are defined as "any name used by a person to identify his or her business or vocation." Id. § 1127.

On October 21, 1998, before the bench trial in this case, Congress passed section 211 of the Omnibus Act, which provides in pertinent part:

(b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.

(d) In this section:

(1) The term "designated national" has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is a successor-in-interest to a designated national.

(2) The term "confiscated" has the meaning given such term in section 515.306 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.

112 Stat. at 2681-88.

Section 211(b) applies in this case.[10] This Court is a

---

[10] Congress may "amend substantive law in an appropriations statute, as long as it does so clearly." Robertson

(continued...)

"U.S. court" under section 211(b).[11] HCI is a "designated national" under section 211(b) because HCI is organized under

---

[10] (...continued)
v. Seattle Audubon Society, 503 U.S. 429, 440 (1992). The Appellants argue that this Court must presume that Congress intended section 211(b) to expire at the end of the 1999 fiscal year because it did not clearly indicate its intent to permanently amend the law. We disagree. If Congress had intended section 211 to expire at the end of the fiscal year, section 211(c), which directs the Secretary of Treasury to promulgate rules and regulations to carry out its provisions, would have been superfluous.

[11] It is unclear whether "U.S. court" in section 211(b) means only a federal court or any court in the United States that would otherwise have concurrent jurisdiction over Lanham Act claims, such as a state court, see Berlitz Schools of Languages of America, Inc. v. Everest House, 619 F.2d 211, 216 (2d Cir. 1980). The term "U.S. court" closely resembles the term "court of the United States," which Congress has used to distinguish federal courts from other forums, especially in statutes that expressly identify both federal and state courts. See, e.g., 22 U.S.C. §2459(a) ("no court of the United States, any State, the District of Columbia, or any territory or possession of the United States" may deprive a cultural or educational institution of any work of art of other object imported into the United States for exhibition if determined by the President to have cultural significance). Because the Cuban embargo significantly implicates United States foreign policy, however, it is unlikely that Congress intended to preclude the ability of plaintiffs to assert in federal court rights derived from property confiscated by Cuba, but preserve their ability to do so in state court. Because this Court is clearly a "U.S. court," we need not decide whether section 211(b) also precludes HCI from asserting its claims under the IAC in state court.

the laws of Cuba, is domiciled in Cuba, and has its principal place of business in Cuba. See 31 C.F.R. § 515.305 (defining "designated national" to mean "Cuba and any national thereof including any person who is a specially designated national").

Applying section 211(b), the District Court ruled that it precluded HCI's assertion of treaty rights under sections 44(b) or (e) of the Lanham Act and thereby precluded HCI's claims under the IAC. HCI disputes this ruling on several grounds. HCI first argues that it does not need sections 44(b) and (e) of the Lanham Act to assert its rights under the IAC because upon ratification, the IAC became law in the United States without the aid of additional legislation. See Bacardi Corp. of America v. Domenech, 311 U.S. 150, 161 (1940). This argument presumes that when Congress enacted section 44(b) of the Lanham Act, it intended to incorporate into law only those treaties that were not self-executing at the time.

The original text of section 44(b) and the legislative history, however, suggest otherwise. When enacted in 1946, section 44(b) of the Lanham Act specifically incorporated the treaty rights of

> [p]ersons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property . . . or (2) the General Inter-American Convention for Trade Mark and Commercial Protection . . . or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party. . . .

Trademark Act of 1946, ch. 540, § 44(b), 60 Stat. 427, 442

(emphasis added).[12] Although the Supreme Court had already ruled the IAC to be self-executing, see Bacardi Corp., 311 U.S. at 161, Congress specifically referred to the IAC in section 44(b) because Congress simply was not sure whether trademark treaties had acquired the force of law. The Senate Report explained:

> These conventions have been ratified, but it is a question whether they are self-executing, and whether they do not need to be implemented by appropriate legislation.
>
> Industrialists in this country have been seriously handicapped in securing protection in foreign countries due to our failure to carry out, by statute, our international obligations.

S. Rep. No. 79-1333 (1946), reprinted in 1946 U.S. Code & Cong. Serv. 1274, 1276. Accordingly, Congress intended the Lanham Act "[t]o carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled." Id. (emphasis added). Indeed, referring specifically to "inter-American conventions," Congress aimed to eliminate "these sources of friction with our Latin-American friends" and "facilitate mutual trade in this hemisphere" by ensuring the protection of their trademark rights in the United

---

[12] In 1962, Congress amended section 44(b) to exclude references to the two specific treaties, see § 20, 76 Stat. at 774, presumably in an effort to "revis[e] the language to a more understandable form," S. Rep. No. 87-2107 (1962), reprinted in 1962 U.S.C.C.A.N. 2844, 2851.

States. Id.[13] Therefore, HCI must assert its rights under the IAC pursuant to section 44(b) of the Lanham Act.

Second, HCI argues that, because HCI's rights to the "Havana Club" trade name existed before Congress enacted section 211(b), the District Court improperly applied section 211(b) retroactively. To determine whether section 211(b) may apply retroactively, we would normally first inquire "whether Congress has expressly prescribed the statute's proper reach." Landgraf v. USI Film Products, 511 U.S. 244, 280 (1994). Since section 211 does not clearly indicate that it should be applied retroactively, the traditional presumption against retroactivity would likely apply. See id.

In this case, however, we can apply section 211(b) to bar relief on HCI's trade name claim because when an "intervening statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive." Id. at 273 (emphasis added); see American Steel Foundries v. Tri-City Central Trades Council, 257 U.S. 184, 201 (1921) (applying Clayton Act to injunction entered before its enactment because "relief by injunction operates in futuro and the right to it must be determined as of the time of the hearing"); Duplex Printing Press Co. v. Deering, 254 U.S. 443, 464 (1921) (same); Salute v. Stratford Greens Garden Apartments, 136 F.3d 293, 298 n.2 (2d Cir. 1998) ("When an

---

[13] Cf. Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 641 (2d Cir. 1956) (noting that in trademark dispute involving sales of allegedly infringing goods in Canada, the only rights plaintiff could assert under the International Convention for the Protection of Industrial Property "other than through § 44 of the Lanham Act are . . . derived from . . . Canadian law, and not from the fact that the International Convention may be a self-executing treaty which is a part of the law of this country") (emphasis added).

intervening repeal of a statute affects the propriety of prospective relief, a court should apply the law in effect at the time it renders its decision."). Because HCI seeks only injunctive relief, this Court can properly apply section 211(b).

Third, HCI argues that section 211(b) does not apply when the trade name at issue has been abandoned. Section 211(b) precludes enforcement of rights under section 44(b) for a trade name "that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented." 112 Stat. at 2681-88. By "confiscated," section 211(b) refers to the nationalization, expropriation, or other seizure of property by the Cuban Government on or after January 1, 1959. See 31 C.F.R. § 515.336. It is undisputed that JASA used the "Havana Club" name until the Cuban government expropriated the business in 1960 and has not expressly consented to HCI's use of the "Havana Club" name.

Nevertheless, HCI argues that JASA had abandoned its rights to the "Havana Club" trade name long before HCI started to use the name (as "Havana Club International") in 1994. Despite the lack of an explicit abandonment defense, HCI urges this Court to construe section 211(b) to include an abandonment exception because (1) interpreting section 211(b) otherwise would abrogate the IAC, and (2) abandonment, as a defense that arises out of common law, must not be presumed to be abrogated by section 211(b) absent express indication of Congress's intent to do so. However, we will not create an abandonment exception to section 211(b). Section 211(b) requires only that a trade name "was used" in connection with a confiscated business or asset, not that the trade name continues to be used. See United States v. Wilson, 503 U.S. 329, 333 (1992) ("Congress' use of a verb tense is significant in construing statutes."). Moreover, Congress knows how to enact an abandonment defense; it has already provided conditions

under which any trademark, service mark, collective mark, or certification mark shall be deemed abandoned. See 15 U.S.C. § 1127. It is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business.

Fourth, HCI argues that it should be allowed to prove that the "Havana Club" trade name was never confiscated. Section 211(d)(2), incorporating by reference 31 C.F.R. § 515.336, defines "confiscated," in pertinent part, as property nationalized, expropriated, or otherwise seized by the Cuban government on or after January 1, 1959, "[w]ithout the property having been returned or adequate and effective compensation provided," § 515.336(a)(1). See 112 Stat. at 2681-88. The District Court found that "all of JASA's assets were taken and that it received no compensation." Havana Club Holding IV, 62 F. Supp. 2d at 1095 n.8.

HCI argues that it had no opportunity to conduct discovery to determine whether JASA had a positive net value at the time of expropriation, because Congress did not enact section 211 until well into the proceedings, and because the District Court implicitly denied its motion to conduct discovery on the matter by applying section 211.

We disagree with HCI's premise that no compensation is "adequate and effective" compensation under section 515.336(a)(1) where the confiscated business allegedly had no positive net value at the time of expropriation. The embargo's definition of confiscated property contemplates only three ways in which property expropriated by Cuba can avoid becoming classified as "confiscated." Cuba can either return the property, provide "adequate and effective compensation," or settle the property claim pursuant to an international claims settlement agreement or other mutually accepted settlement procedure. See 31 C.F.R. § 515.336(a). Where Cuba has not returned JASA's property, not made even a gesture toward

compensation and not settled the claim, the confiscation inquiry ends.

III. False Advertising

HCI disputes the District Court's finding that it does not have standing to assert its "false advertising" claim. Section 43(a) of the Lanham Act provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .shall be liable in, a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). To establish standing under section 43(a), the plaintiff must

> demonstrate a "reasonable interest to be protected" against the advertiser's false or misleading claims, and a "reasonable basis" for believing that this interest is likely to be damaged by the false or misleading advertising. The "reasonable basis" prong embodies a requirement that the plaintiff show both likely injury and a causal nexus to the false advertising.

Ortho Pharmaceutical Corp. v. Cosprophar, Inc., 32 F.3d 690,

694 (2d Cir. 1994) (citations omitted). "Although a section 43 plaintiff need not be a direct competitor, it is apparent that, at a minimum, standing to bring a section 43 claim requires the potential for a commercial or competitive injury." Berni v. International Restaurants of Amer ca, Inc., 838 F.2d 642, 648 (2d Cir. 1988) (citations omitted); see, e.g., National Lampoon, Inc. v. American Broadcasting Cos., 376 F. Supp. 733, 746-47 (S.D.N.Y.) (publisher of National Lampoon magazine has standing to sue television network's use of part of its name on two television programs, in part because plaintiff "has begun production of programs for closed-circuit television and is negotiating for production of a special program" to sell to one of the television networks), aff'd, 497 F.2d 1343 (2d Cir. 1974).

This Court reviews de novo the District Court's determination of standing. See Devlin v. Transportation Communications International Union, 175 F.3d 121, 131 (2d Cir. 1999). Contrary to the case law on standing under section 43(a), HCI first argues that to obtain standing, it must demonstrate only that Bacardi has falsely indicated the origin of its "Havana Club" rum as Havana, when in fact Bacardi produced its rum in the Bahamas. HCI points to the original language of section 43(a) of the Lanham Act, which provided:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

60 Stat. at 441 (1946) (emphasis added). HCI argues that, by using the disjunctive "or," Congress contemplated that a plaintiff could sue under section 43(a) if it did business in the

locality falsely designated as the origin of a particular good, regardless of whether that plaintiff was likely to be damaged by the false representation. Although Congress amended section 43(a) in 1988, the Senate Report stated that standing "should continue to be decided on a case-by-case basis, and that the amendments . . . made to the legislation with respect to [this issue] should not be regarded as either limiting or extending applicable decisional law." S. Rep. No. 100-515, at 41 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5604. Therefore, HCI argues, it has standing under the current version of section 43(a), because HCI does business "in the locality falsely indicated as that of origin" by Bacardi, namely, Havana.

We disagree. The Senate Report indicates that Congress intended not to alter the then "applicable decisional law" under section 43(a). Although numerous cases prior to 1988 recognized that standing under section 43(a) required demonstrable proof that a plaintiff would be likely to suffer damage as a result of false advertising, see, e.g., Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir. 1980) ("[T]he likelihood of injury and causation will not be presumed, but must be demonstrated."), we have found no case decided before 1988 that recognized standing under section 43(a) based on HCI's interpretation of the pre-1988 version of section 43(a). Since no such case existed, Congress cannot be deemed to have left unaltered, and by implication recognized, HCI's theory of standing when it amended section 43(a) in 1988. The parties in the cases relied upon by HCI could have demonstrated likelihood of injury because they competed with each other in the same geographic area. See Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., 633 F.2d 746, 748 (8th Cir. 1980) (the Dakotas); Scotch Whiskey Association v. Barton Distilling Co., 489 F.2d 809, 811 (7th Cir. 1973) (Panama, including Canal Zone).

Second, to establish the likelihood of commercial injury for the purposes of standing, HCI argues that Bacardi's use of

the "Havana Club" name will adversely affect HCI's current and future sales of its rum to U.S. visitors to Cuba. The fact that HCI sells to Americans traveling in Cuba, however, does not necessarily demonstrate the likelihood that the distribution of Bacardi's "Havana Club" rum in the United States will hurt HCI sales to those persons in Cuba. Although HCI presented consumer surveys that reported that "33% of Americans think that it is legal to sell rum from Cuba in the United States and 9% do not know whether it is legal or illegal," the District Court noted that "it is intuitively doubtful that these finding[s] would apply to U.S. travelers authorized to visit Cuba." Havana Club Holding IV, 62 F. Supp. 2d at 1100 n.11. We will not disturb this finding on appeal. A district court has broad discretion concerning the weight of particular evidence, including consumer surveys such as those proffered here, see Schering v. Pfizer, Inc., 189 F.3d 218, 230 (2d Cir. 1999); Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1341 (2d Cir. 1975), and its findings of fact are reviewed for clear error. In this case, the plaintiffs' consumer surveys drew their sample from across the United States, without attempting to control for any likelihood that the participants would travel to Cuba. Under such circumstances, the District Court's finding that these surveys did not show consumer confusion among the relevant class of travelers was not clearly erroneous.

HCI further argues that this Court must presume harm because Bacardi intentionally copied the "Havana Club" label, citing Paddington Corp. v. Attiki Importers & Distributors, Inc., 996 F.2d 577, 586-87 (2d Cir. 1993) ("Where a second-comer acts in bad faith and intentionally copies a trademark or trade dress, a presumption arises that the copier has succeeded in causing confusion."). However, Paddington and the other cases HCI cites are inapposite because they involve trademark claims, not false advertising claims.

Third, HCI argues that the District Court erred in

finding HCI's ability to enter the U.S. market to be too remote at this point to confer standing. Although this Court has conferred standing for section 43(a) claims based on a showing of potential commercial injury, not all potential commercial injuries are sufficient to confer standing. See, e.g., PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1112 (2d Cir. 1997) (hopes of holder of patent for weight loss method, who had marketed his product only to potential investors, to obtain FDA approval and then sell product to public too remote to confer standing to challenge defendant's advertising).

HCI characterizes its injuries as (1) the "lost ability to use the HAVANA CLUB name in the U.S. through Bacardi's accumulation of rights-by-use," (2) "loss of the key selling points in the U.S. of being the single source of both HAVANA CLUB rum and Cuban-origin rum," and (3) "damaged reputation of Cuban-origin rum," or more generally, "the imminent loss of their prime selling advantage." Brief for Appellants at 25. Even if HCI competes with Bacardi in markets elsewhere in the world, standing requires that HCI demonstrate at least potential commercial injury in the United States, because Bacardi sells "Havana Club" rum only in the United States. Because HCI's rum does not now compete with Bacardi's rum in the United States, HCI's alleged injury amounts to the present diminution in the speculative value of its sales of Cuban-origin rum in the United States market once the United States government removes the obstacle of the Cuban embargo.

That obstacle is formidable. The LIBERTAD Act not only codified the economic embargo of Cuba, see 22 U.S.C. § 6032(h), and strengthened its measures, see id. §§ 6033-6046, but also authorized the President to take steps to suspend the embargo only after determining that a "transition government in Cuba is in power," id. § 6064(a), and authorized the President to take steps to terminate the embargo only after determining that "a democratically elected government in Cuba

is in power," id. § 6064(c).[14] At this time, the President has not determined that a "transition government," let alone a "democratically elected" government, exists in Cuba.

HCI points to recent efforts in Congress to pass legislation to lift portions of the Cuban embargo. However, by conferring standing to HCI based on its own prediction of Congress's actions, this Court would expand its authority well beyond any zone of twilight that might exist between legislative and judicial authority.

HCI also seeks to support standing by relying on G. H. Mumm Champagne v. Eastern Wine Corp., 142 F.2d 499 (2d Cir. 1944), and section 10(g) of the TWEA. Its arguments are unavailing. Mumm is a pre-Lanham Act action to enjoin trademark infringement and unfair competition, not a false advertising action, and its facts are readily distinguishable from those in this case. In Mumm, a French company had registered the trademarks at issue and had contracted with a Delaware company in 1938, prior to World War II, to sell only the French company's champagne[15] See id. at 500. After upholding the

---

[14] "The Act defines "a transition government" in Cuba as one that has, among other things, legalized all political activity, released all political prisoners, publicly committed to organizing and timely implementing "free and fair elections," ceased interference with Radio Marti or Television Marti broadcasts, has publicly committed to and demonstrated progress in establishing an independent judiciary and allowing for the establishment of independent trade unions and independent social, economic, and political associations, and "does not include Fidel Castro or Raul Castro." 22 U.S.C. § 6065(a).

[15] In the contract, the French company agreed that it alone

(continued...)

Delaware company's entitlement to an injunction, the Court considered "the rather barren question" whether to uphold its right to obtain an injunction on behalf of the French company, "barren, because one injunction is as good as two." Id. at 502. Despite the lack of significance of an injunction on behalf of the French company, we affirmed it because the infringement risked lost sales in the United States by the Delaware company, which might have resulted in lost profits by the French company "provided sales lost by the Delaware company resulted in sales lost by it to that company."[16] Id. In the

---

[15] (...continued)
would protect and enforce its trademark rights in the United States. See id. at 502. Soon thereafter, as the district court in Mumm explained, France was "occupied by the armed forces of the German Reich . . . . Because of conditions due to the existing war, the [Delaware company] is, and has been, unable to communicate with the [French company]." G. H. Mumm Champagne v. Eastern Wine Corp., 52 F. Supp. 167, 169-70 (S.D.N.Y. 1943). Observing that the war had made "impossible the performance of that promise" by the French company to protect its marks, we construed the contract to authorize the Delaware company, under those circumstances, to seek to enjoin trademark infringement on the French company's behalf. Mumm, 142 F.2d at 502. Although we referred to sections 10(g) and (h) of the TWEA, 50 U.S.C. app. § 10(g), (h), we did so only to note that the TWEA did not preclude the Delaware company's limited authority under the contract to seek to enjoin trademark infringement on the French company's behalf. See Mumm, 142 F.2d at 503.

[16] Whether the possibility of lost profits by the French company might have resulted from loss of an increase in its account with the Delaware company as the latter depleted its stock of pre-war imported champagne, or from some other (continued...)

pending case, however, unlike the French company in Mumm, HCI has no United States partner selling its product in the United States, and therefore no loss of profits derived indirectly from lost sales in the United States will occur.

Nor does section 10(g) itself aid HCI. Section 10(g) provides that "[a]ny enemy, or ally of enemy, may institute and prosecute suits in equity . . . to enjoin infringement of letters patent, trade-mark, print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner and to the extent that he would be entitled so to do if the United States was not at war." 50 U.S.C. app. § 10(g). HCI does not contend that it may sue under section 10(g); in the absence of a state of war with Cuba, HCI is not an "enemy."[17] Nevertheless, it argues that if its section 43(a) claim

---

16 (...continued)
arrangement is not indicated in the Court's opinion.

17 Section 10(g) applies to "[a]ny enemy[] or ally of enemy." When Congress enacted the TWEA, six months after the United States entered World War I, see Act of Oct. 6, 1917, ch. 106, 40 Stat. 411, "enemy" was defined to include any resident or corporation of, or any foreign resident or corporation doing business in, any nation "with which the United States is at war," § 2, 40 Stat. at 411. In 1933, Congress amended section 5(b) of the TWEA to authorize the President to act under section 5(b) "[d]uring time of war or during any other period of national emergency declared by the President," Act of Mar. 9, 1933, ch. 1, sec. 2, § 5(b), 48 Stat. 1, 1 (emphasis added). In 1977, Congress removed the President's authority to act under section 5(b) in a declared national emergency, see Act of Dec. 28, 1977, Pub. L. No. 95-223, § 101(a), 91 Stat. 1625, 1625, but still permitted the President to continue to exercise the authorities conferred under section

(continued...)

is rejected for lack of standing, then section 10(g) could not be used by those plaintiffs within the section's coverage. The argument does not help HCI.

In the first place, section 10(g) would not apply to a false designation of origin claim under section 43(a) of the Lanham Act. A plaintiff need not "own[] or control[]" a registered trademark to bring a section 43(a) action. Any rum producer selling its product in the United States can obtain standing to complain about Bacardi's allegedly false designation of origin as long as it can demonstrate the commercial injury required for an action under section 43(a).

Secondly, to the extent that HCI analogizes false designation claims to trademark infringement claims, section 10(g) provides no escape from traditional standing requirements. Section 10(g) permits a covered plaintiff to institute an infringement action "to the extent that he would be entitled so to do if the United States was not at war." Thus, a section 10(g) plaintiff would have to demonstrate the competitive injury necessary to establish standing for an infringement action in the absence of a wartime embargo. Although an embargo might make it more difficult for such a plaintiff to show such injury, a company in an embargoed country still might, in some circumstances, suffer sufficient risk of competitive harm, due to a defendant's infringement, to

---

17 (...continued)
5(b) "which were being exercised with respect to a country on July 1, 1977, as a result of a national emergency declared by the President before such date," § 101(b), 91 Stat. at 1625. This grandfather clause preserved the President's authority to maintain the Cuban embargo under section 5(b). See Regan v. Wald, 468 U.S. 222, 232 (1984). In contrast, Congress has never amended section 10(g) to authorize actions by persons or entities other than "[a]ny enemy, or ally of enemy."

obtain an injunction. See Mumm, 142 F. 2d at 502. In such circumstances, section 10(g) would allow the plaintiff to go forward with its action. However, where, as here, the plaintiff cannot establish injury for a false designation claim, comparison to section 10(g) affords it no refuge from traditional standing requirements.

IV. Unfair Competition

Finally, HCI argues that it has standing to sue under section 44(h) of the Lanham Act for unfair competition. Section 44(h) provides

> Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C. § 1126(h). Rights under Section 44(h) are co-extensive with treaty rights under section 44(b), including treaty rights "relating to . . . the repression of unfair competition."[18] Id. § 1126(b). See Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788, 792 (9th Cir. 1981) ("The grant in subsection (h) of effective protection against unfair competition is tailored to the provisions of the unfair competition treaties by subsection (b), which extends the benefits of section 44 only to the extent necessary to give effect to the treaties."); American

---

[18] If the unfair competition claim were viable, it would not encounter the obstacle of section 211(b) of the Omnibus Act, which does not expressly preclude a court from enforcing treaty rights under section 44(b) relating to the repression of unfair competition.

Auto. Ass'n v. Spiegel, 205 F.2d 771, 774 (2d Cir. 1953) ("Since [section 44(h)] is limited to 'person designated in subsection (b)', we look to that subsection to learn its scope.").

HCI essentially argues that it must demonstrate less to obtain standing to assert its section 44(h) claim than is required for its section 43(a) claim. Article 21(c) of the IAC defines an act of "unfair competition" to include "[t]he use of false indications of geographical origin or source of goods, by words, symbols, or other means which tend in that respect to deceive the public in the country in which these acts occur." 46 Stat. at 2932. We note, however, that article 21 of the IAC authorizes the prohibition of its specified acts of unfair competition "unless otherwise effectively dealt with under the domestic laws of the Contracting States," 46 Stat. at 2932. HCI's section 44(h) claim amounts to little more than the re-assertion of its section 43(a) claim, because article 21(c) of the IAC prohibits a subset of the conduct already effectively prohibited under American law by section 43(a). We therefore conclude as a matter of law that HCI has failed to settle a viable claim under section 44(h).[19]

Conclusion

The judgment of the District Court is affirmed.

---

[19] HCI also argues that it has an independent basis for standing under article 23 of the IAC. See 46 Stat. at 2934 ("Repression of False Indications of Geographical Origin or Source"). HCI cannot rely on this provision in asserting its section 44(h) claim, however, because the IAC does not treat rights under article 23 as rights related to the repression of unfair competition. Because HCI never properly pled a cause of action invoking article 23 of the IAC, we decline to consider such a claim.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HAVANA CLUB HOLDING, S.A. and HAVANA CLUB INTERNATIONAL, S.A.,

Plaintiffs,

-v-

GALLEON, S.A., BACARDI-MARTINI U.S.A., INC., GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS, INC. and PREMIER WINE AND SPIRITS,

Defendants.

Shira A. Scheindlin, U.S.D.J. :

AMENDED OPINION AND ORDER

96 Civ. 9655 (SAS)

At the heart of this case lies an interesting irony: a half-Cuban company, Havana Club International, S.A., brings an action to enjoin what it believes is unfair competition and to preserve its ability to some day compete in the United States market. Plaintiffs currently distribute a Cuban-origin rum around the world under the name "Havana Club," but are prohibited from selling their liquor in the United States because of the Cuban embargo. Defendants own Bacardi rum, the best-selling brand of spirits in this country, and claim to be the successors-in-interest to the rights of the Cuban company that owned the Havana Club rum business prior to its expropriation by the Castro government in 1960. Through this action, plaintiffs seek to enjoin defendants from selling rum under the

name "Havana Club" in the United States.

I. Background

A. The Parties

Plaintiff Havana Club International, S.A. ("HCI") is a joint stock company organized under the laws of the Republic of Cuba, and is domiciled and has its principal place of business in Cuba. Plaintiff Havana Club Holding, S.A. ("HCH"), a holding company that owns the Havana Club trademark in certain countries outside the United States, is a corporation organized under the laws of Luxembourg. Plaintiffs were formed in connection with a November 1993 agreement ("Convenio Asociativo") between Pernod Ricard, S.A. ("Pernod Ricard"), a French Company, and Havana Rum & Liquors, S.A. ("HRL"), a Cuban company. Pursuant to the Convenio Asociativo, Pernod Ricard and HRL each own 50% of HCH and, directly and through their ownership interests in HCH, each own 50% of HCI.

Defendant Galleon, S.A. has been merged into defendant Bacardi and Company Limited ("Bacardi & Co."), which is organized under the laws of Liechtenstein and is headquartered in the Bahamas. Bacardi-Martini U.S.A. ("Bacardi-Martini," and together with Bacardi & Co., "Bacardi") is incorporated in Delaware.

B. Procedural Background

As explained in this Court's three previous opinions in this case, plaintiffs currently have no rights to the use of the Havana Club trademark. See Havana Club Holding, S.A. v. Galleon, S.A., 961 F. Supp. 498 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon, S.A., 974 F. Supp. 302 (S.D.N.Y. 1997); Havana Club Holding, S.A. v. Galleon, S.A., 96 Civ. 9655, 1998 WL 150983 (S.D.N.Y. March 31, 1998). A bench

trial was held before this Court on plaintiffs' remaining claims: (1) that defendants' sales of Havana Club rum infringe plaintiffs' trade name in violation of Chapter III of the General Inter-American Convention for Trademark and Commercial Protection, 46 Stat. 2907 ("Inter-American Convention"); (2) that defendants' sales of Havana Club rum infringe plaintiffs' trade name in violation of §§ 44(g) and 44(h) of the Lanham Act, 15 U.S.C. §§ 1126(g) and (h);[1] and (3) that defendants' Havana Club rum is geographically misdescriptive because it leads consumers to erroneously believe that it originates in Cuba, in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125 (a). Plaintiffs seek no money damages, only injunctive relief and attorney's fees and costs. In defending against plaintiffs' § 43(a) claim, defendants assert the affirmative defense of "unclean hands," on the basis that plaintiffs have used ingredients of non-Cuban origin in a significant amount of their "Cuban" rum.[2]

---

[1] Section 44(g) provides that "[t]rade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks." 15 U.S.C. § 1126(g). Section 44(h) ensures that any person whose country of origin is a party to a trademark treaty with the United States shall be entitled to "effective protection against unfair competition."

[2] Defendants have also asserted a counterclaim against plaintiffs, which they explained during closing statements as being limited to seeking "an injunction against...plaintiffs [from] interfering with Bacardi's use of the Havana Club mark in the United States." Defendants suggested that plaintiffs were interfering with defendants' "distributorship relations." See Tr. at 1798. Defendants' produced no evidence at trial of this alleged interference, and failed even to adequately explain the

(continued...)

Following the close of plaintiffs' case, defendants made a motion for judgment pursuant to Fed. R. Civ. P. 52(c) on a variety of grounds. The Court granted the motion as to plaintiff HCH on its trade name claims, on the ground that HCH is organized under the laws of Luxembourg, which is not a party to the Inter-American Convention. The Court deferred ruling on the remainder of this motion until the close of defendants' case.

C. Factual Background

Based upon the evidence presented at the trial, I find the following facts to be true. Since January 1, 1994, HCI has been in the business of exporting rum under the "Havana Club" trademark under an exclusive license from HCH. See Joint Statement of Stipulated Facts, Exhibit A to Joint Pretrial Order ("SF"), at ¶¶ 4-5. From 1994 through 1998, HCI sold approximately 38,400,000 bottles of Havana Club rum, with approximately 30% of the sales in Cuba and the remainder exported principally to Spain, France, Germany, Italy, Canada, Mexico, Bolivia and Panama. See Testimony of Noel Adrian, Managing Director of HCI ("Adrian Tr."), at 73-74.

Pursuant to the Cuban embargo that has been in place since 1963, U.S. law prohibits the importation of Cuban-origin products into the United States. See generally, Havana Club, 961 F. Supp. at 499-500. Thus, plaintiffs' Havana Club rum has never been sold in the United States. See Adrian Tr. at 105. U.S. visitors to Cuba, however, are permitted to bring the rum back to the United States as accompanying baggage. See Plaintiffs' Exhibit ("PX") 407. Pursuant to the travel restrictions imposed by the Office of Foreign Assets Control

---

[2] (...continued)
grounds for or nature of the relief sought. As a result, this counterclaim is dismissed.

("OFAC"), the class of travelers permitted to visit Cuba includes journalists, official government travelers, members of international organizations, persons with close relatives in Cuba and travelers who have received special licenses from OFAC. See id.; 31 C.F.R. § 515.560. These travelers may reenter the United States with up to $100 in Cuban-origin goods for personal use, with cigars and Havana Club rum being the most popular items brought back. See id.; Testimony of Hilda Maria Diaz ("Diaz Tr."), travel agent, at 299-300. Commencing in 1994, HCI has distributed a carrying case in which tourists can carry their purchases of Havana Club rum, and since that time travelers from the United States have been returning with Havana Club rum in these cases. See Adrian Tr. at 111-113; PX 150; Diaz Tr. at 293.

Although it is currently prohibited from selling in the United States, HCI intends to export Cuban-origin rum to the United States as soon as it is legally able. See Adrian Tr. at 105-07. HCI anticipates using the same marketing strategy it is currently following worldwide, which emphasizes the quality and the character of Havana Club rum based mainly upon its Cuban origin. See id. Thus, for example, the label on its Havana Club bottles reproduces the city of Havana and proclaims the product to be "El Ron de Cuba" ("The Rum of Cuba"). HCI's advertising similarly stresses the product's link to Cuba. See Adrian Tr. at 89-91.

The original producer of Cuban rum under the trademark "Havana Club" was Jose Arechabala, S.A. ("JASA") a Cuban corporation, which was principally owned by members of the Arechabala family. See Testimony of Ramon Arechabala ("R. Arechabala Tr.") at 1229, 1235; Defendants' Exhibit ("DX") 583. JASA exported Havana Club rum to the United States until 1960. See SF at ¶ 62. On or about January 1, 1960, however, armed forces from the Castro government forcibly entered into possession and confiscated the property and assets of JASA. See R. Arechabala Tr. at 1231-1243. On October 15,

1960, Cuban Law No. 890 ("Law No. 890") was issued, expropriating for the Cuban government the physical assets, property, accounts and business records of JASA. See DX 573A ("Law No. 890") ("Nationalization is ordered by the forced expropriation of all industrial and commercial corporations, as well as the factories, stores, warehouses and other assets and rights of same and the properties of the following natural persons or companies").[3] No compensation was ever paid to JASA or its owners by the Cuban government or any other entity on behalf of the Cuban government for the property and assets that were seized in 1960. See R. Arechabla Tr. at 1236; Deposition of Gloria Marquez Arechabala Misto at 174-176.

From 1972 until some time in 1993, Empresa Cubana Exportadora De Alimentos y Productos Varios ("Cubaexport"), a Cuban state foreign trade enterprise established by the Cuban Ministry of Foreign Commerce, was the exclusive exporter of Havana Club rum, primarily to the Soviet Union and Eastern Europe. See SF at ¶¶ 64-66. In 1993, Cubaexport reorganized its business to incorporate a foreign partner, transferring all of the assets associated with the Havana Club rum business, including its Havana Club trademark, to HRL. Pursuant to the Convenio Asociativo entered into with Pernod Ricard, HRL

---

[3] The introduction to Law No. 890 states, in part, that "Whereas: The creative work of the Revolution, in its multiple aspects is based fundamentally on the full economic development of the Nation. Whereas: It is evident that this growth cannot be attained, unless by planning the economy, and the increase and progressive streamlining of production and the national control of the basic industries of the country. Whereas: Many of the large private corporations operating in the country are far from assuming the conduct that agrees with the objectives and goals of the revolutionary transformation of the national economy. . ."

transferred these assets to HCH, which, in turn, granted an exclusive license to sell Havana Club rum and use the Havana Club trademark to HCI.

Sometime in 1993, either prior to Pernod Ricard's entering into the Convenio or soon thereafter, a legal advisor to the company, Emilio Cuatrecasas, met with members of the Arechabala family to discuss purchasing their waiver of any claims to the Havana Club name that they may have had. See SF at ¶ 77; Testimony of Thierry Jacquillat, president of Pernod Ricard ("Jacquillat Tr.") at 1450-1452. Ultimately, no agreement was reached between the Arechabalas and Pernod Ricard. See Jacquillart Tr. at 1452.

The Arechabalas subsequently attempted to reach an agreement with International Distillers & Vintners Limited ("IDV"), an international distilled spirits company, with respect to Havana Club rum, but IDV advised the Arechabalas in or about March 1995 that it did not wish to enter into any such agreement. See SF at ¶ 80. The Arechabalas, however, found a willing partner in Bacardi & Co., and following negotiations beginning in or about 1995, the parties entered into a formal Share Purchase Agreement in April 1997. See PX 253, 254. Pursuant to this agreement, Bacardi & Co. purchased whatever rights (if any) the Arechabalas possessed in any Havana Club trademark, the related goodwill of the business and any rum business assets that the Arechabalas still owned. See id.

In 1995, Bacardi-Martini began to distribute rum in the United States which was produced in the Bahamas under the authority of Galleon, Bacardi & Co.'s predecessor-in-interest, bearing the trademark Havana Club. This distribution consisted of sixteen cases of rum shipped to four U.S. distributors. See SF at ¶ 19; PX 146. From May 1996 through August 1996, Bacardi distributed an additional 906 cases of Havana Club rum to distributors in seven states. See PX 136, 146. Bacardi has not distributed any Havana Club rum since 1996, pursuant to an

agreement reached with plaintiffs to halt such sales pending the outcome of this litigation.

II. Discussion

A. Trade Name Claims

On October 21, 1998, prior to the trial but well into the course of this litigation, Congress passed § 211 of the Omnibus Appropriations Act. See Pub. Law 105-277 (1998). This new statute limits the registration and renewal of, and the assertion of trademark and trade name rights in, marks that were used in connection with property confiscated by the Cuban government. The statute provides:

> (a) (1) Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations,[4] as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name or commercial name, or the bona fide successor-in-interest has expressly consented.
>
> (2) No U.S. court shall recognize, enforce or otherwise

---

[4] The Cuban Asset Control Regulations ("CACR"), 31 C.F.R. Part 515, regulate the U.S. embargo against Cuba. See Havana Club Holding v. Galleon, 961 F. Supp. at 499-501. Section 515.527, in particular, authorizes transactions related to the registration and renewal of patents, trademarks and copyrights by Cuban nationals in the United States Patent and Trademark Office and the United States Copyright Office.

> validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name or commercial name.
>
> (b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name or commercial name that is the same or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.[5]

Defendants argue that subsection (b) of this new statute prevents this Court from recognizing any trade name rights to which plaintiffs would otherwise be entitled in the name "Havana Club." It is well-established that Congress may pass legislation that effectively takes away rights to which parties were previously entitled by virtue of U.S. treaty obligations. "[A]n Act of Congress . . . is on a full parity with a treaty, and . . . when a statute which is subsequent in time is inconsistent with a treaty, the statute to the extent of the conflict renders the treaty null." Reid v. Covert, 354 U.S. 1, 18 (1957); Whitney v. Robertson, 124 U.S. 190, 193 (1888) (where a treaty and a statute conflict, the last one in date controls); accord, Breard v. Greene, 118 S.Ct. 1352, 1355 (1998). Courts, however, will find later legislation to have abrogated a treaty only when Congress' intention to do so "has been clearly expressed." Trans World Airlines. Inc. v. Franklin Mint Corp., 466 U.S.

---

[5] There is no official legislative history surrounding the enactment of § 211.

243, 252 (1984). Abrogation of a treaty by implication will only be found when the later legislation is "in irreconcilable conflict" or the legislation "covers the whole subject of the earlier [treaty], and is clearly intended as a substitute." Pasadas v. National City Bank of New York, 296 U.S. 497, 503 (1936). In either case, the intention of the legislature must be clear. See id.

Here, in specifying that "no U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national," Congress made clear its intention to repeal rights, in marks and trade names derived from treaties where those marks and trade names satisfy the requirements set forth in § 211. As a company owned in part by the Cuban government, HCI clearly is a "designated national" within the meaning of the statute.[6] See SF at 5 ¶ 41. In addition, the evidence at trial established that on October 13, 1960, the Revolutionary Cuban Regime confiscated the physical assets, property and business records of JASA, the original owner of the Havana Club trademark. See 31 C.F.R. § 516.336. Thus, on its face, § 211 would appear to prevent HCI from asserting its trade name claims. HCI, however, argues that for a variety of reasons § 211 does not effect the outcome in this case.

1. Claim Asserted under the Inter-American Convention

HCI's first argument turns on the language of § 211(b) and the self-executing nature of the Inter-American Convention. Specifically, HCI argues that § 211 does not apply to rights derived from self-executing treaties, but rather is only

---

[6] Section 211 incorporates the definitions of "designated national" and "confiscated" set forth at 31 C.F.R. 515.305 and 515.336, respectively.

addressed to the assertion of "treaty rights . . . under Sections 44(b) or (e) of the Trademark Act" (emphasis added). HCI points out that it has asserted a trade name infringement claim directly under Chapter III of the Inter-American Convention, and that the Convention grants it the private right to bring an action in the United States to enjoin infringement of its trade name. Thus, HCI argues, because it has pled a claim for protection of its trade name under Chapter III of the Inter-American Convention, and because this claim does not arise "under Sections 44(b) or (e) of the Trademark Act," § 211 does not bar this claim.

The Inter-American Convention, which was adopted at a special conference held in February 1929, is a self-executing treaty, and thus it became law in the United States without the necessity for implementing legislation. See Bacardi Corp. of America v. Domenech, 311 U.S. 150, 161 (1940). Article III, which covers commercial or trade names, provides that a party in any of the Contracting States

> may, in accordance with the law and procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of any commercial name or the cancellation of the registration or deposit of any trade mark . . . by proving: (a) that the commercial name or trade mark, the enjoining or cancellation of which is desired, is identical with or deceptively similar to his commercial name already legally adopted and previously used in any of the Contracting States, in the manufacture, sale or production of articles of the same class . . .

General Inter-American Convention for Trademark and Commercial Protection, Chapter III, Article 18.

In 1946, with the passage of the Lanham Act, Congress attempted to correct what it perceived as the failure of the

United States to carry out its treaty commitments to secure intellectual property rights. See S. Rep. No. 1333, 79th Cong., 2d Sess. 5 (1946) at 1276 ("There has been no serious attempt fully to secure to nationals of countries signatory to the conventions their trade-mark rights in this country and to protect them against the wrongs for which protection has been guaranteed by the conventions . . . . To remedy this discreditable situation is merely an act of international good faith"). Section 44(b) of the Act provides that foreigners are to be entitled to the same trademark and trade name rights, and the same right to be free from unfair competition, to which U.S. citizens are entitled. See 15 U.S.C. § 1125(b) ("[a]ny person whose country of origin is a party to a convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party . . . shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention . . . ,)[7]. To the extent that the United States was a party to any convention or treaty relating to trademarks or trade names that was not self-executing, the Lanham Act served as the implementing legislation.

HCI argues that because the Inter-American Convention is self-executing, and because it gives private parties the right to sue for an injunction against an infringer, a claim brought pursuant to the Convention is not brought "under" § 44 of the Lanham Act and is thus not effected by § 211. This argument, however, strains the language of § 211 and would lead to an

---

[7] As originally enacted, § 44(b) specifically referenced the International Convention for the Protection of Industrial Property (Paris Union), the Inter-American Convention and "any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party."

illogical result. Section 211 explicitly states that no court shall recognize "treaty" rights of designated nationals. The further reference in that section to § 44(b) of the Lanham Act should not be read to distinguish certain treaties from others. Both the text of § 44(b) and its legislative history indicate that the purpose of this section was to execute all U.S. treaty obligations respecting trademarks and trade names. See 15 U.S.C. § 1127 ("[t]he intent of this chapter is to . . . provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations"); S. Rep. No. 1333, 79th Cong., 2d Sess. 5 (1946) (stating that purpose of Lanham Act was "to carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled").

Section 44(b) when passed by Congress applied -- and still today applies -- to persons from a country that is a party to any convention or treaty relating to trademarks and trade names, and the act provided the framework for the assertion of all trademark and trade name treaty rights. Although the Lanham Act may have served formally as the implementing legislation for those treaties that were not self-executing, there is no principled or logical reason for finding that § 211 abrogates rights derived from those treaties that required statutory implementation but does not have the same effect on treaties that were self-executing.

Thus, although plaintiffs have asserted a trade name claim under the Inter-American Convention, § 44 was intended to implement the rights and remedies of the Convention and provided the framework through which those rights were asserted. See also Inter-American Convention, Chap. III, Art. 18 (emphasis added) ("[a]ny manufacturer, industrialist, merchant or agriculturist domiciled or established in any of the Contracting States may, *in accordance with the law and*

procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of" a deceptively similar trade name or trademark). The reference in § 211 to § 44 thus does not lead to the conclusion that Congress intended to abrogate "treaty" rights asserted "under" the Lanham Act, and not those asserted "under" the Inter-American Convention.

Because § 211 requires that HCI obtain the consent of the original owners of the Havana Club business, and because they do not have this consent, § 211 prevents HCI from asserting its claims for trade name infringement. Section 211, however, does not prevent HCI from asserting its false designation of origin claim. This claim does not arise out of any ownership rights that HCI is asserting in the Havana Club name confiscated by the Cuban government. Rather, it arises out of HCI's claim that as a producer of Cuban rum, it is likely to be damaged by defendants' allegedly false designation of Cuban origin on its product. Because § 211 does not explicitly abrogate rights to bring an unfair competition claim, this Court will not extend its reach to such claims.

2. Abandonment

HCI argues that § 211 does not require the abrogation of treaty rights in circumstances where the original owner of the trademark or trade name has abandoned its rights in that mark. According to HCI, its right to the "Havana Club" trade name arises out of its adoption and use of the name beginning in 1994, and that well prior to this time, Jose Arechabala, S.A. had abandoned any rights it had in the name.

HCI's argument, however, is not supported by the language of § 211. The statute states that a designated national cannot assert rights in a mark that is the same or substantially similar to one that was "used in connection with a [confiscated] business," a requirement that is clearly met here. The statute

does not require continuous use or provide a defense of abandonment.

3. Retroactivity

HCI argues that § 211 cannot be applied to this case because such application would retroactively impair trade name rights possessed by HCI prior to its enactment". When a case implicates a federal statute enacted after the events in suit, the court's first task is to determine whether Congress has expressly prescribed the statute's proper reach." Landgraf v. USI Film Products, 511 U.S. 244, 280 (1994). The language of § 211 is silent as to its application to cases pending prior to its enactment.

The analysis, however, does not end here. In the absence of express language as to the statute's reach, a court

> must determine whether the new statute would have retroactive effect, i.e., whether it would impair rights a party possessed when he acted, increase a party's liability for past conduct, or impose new duties with respect to transactions already completed. If the statute would operate retroactively, our traditional presumption teaches that it does not govern absent clear congressional intent favoring such a result.

Id. This presumption against retroactivity is rooted in considerations of fairness and reasonable reliance and the principle that individuals should be able to conform their conduct to the law. Id. at 265, 269.

In certain situations, however, application of a statute passed after the events at issue may not have an impermissibly retroactive effect. "When the intervening statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive." Id. at 273; see also American

Steel Foundries v. Tricity Central Trades Council, 257 U.S. 184, 201 (1921) ("relief by injunction operates in futuro"). As Justice Scalia explained in his concurrence in Landsgraf, "[c]ourts traditionally withhold requested injunctions that are not authorized by then-current law, even if they were authorized at the time suit commenced and at the time the primary conduct sought to be enjoined was first engaged in . . . Since the purpose of prospective relief is to affect the future rather than remedy the past, the relevant time for judging its retroactivity is the very moment at which it is ordered." 511 U.S. 244, 293 (1994); Viacom Inc. v. Ingram Enterprises, Inc., 141 F.3d 886, 888-890 (8th Cir. 1998) (application of Federal Trademark Dilution Act to use of trademark that began before passage of act does not render statute impermissibly retroactive). Thus, because HCI seeks only future injunctive relief, application of § 211 would not have an impermissibly retroactive effect.

Moreover, such application would not unfairly upset HCI's settled expectations or unfairly impair its investment. At the time that HCI began its business in 1994 and to this day, it has been aware that the embargo prevents it from selling rum in the United States. HCI built up its business based upon sales in other countries, not upon any sales or reputation that it has developed in the United States.

4. Separation of Powers

HCI also argues that § 211 violates the separation of powers doctrine because it represents an attempt by Congress to dictate how this Court must rule in this case. Under our tripartite system of government, the role of Congress is to enact laws of general applicability, and it is for the courts to apply those laws in determining the outcome of particular cases. Legislation violates the separation of powers doctrine when it "prescribes a rule of decision for courts to follow without permitting courts to exercise their judicial powers independently." Benjamin v. Jacobson, 124 F.3d 162, 173 (2d

Cir. 1997), vacated on reh'g en banc, 1999 WL 188240 (2d Cir. March 23, 1999) (citing United States v. Klein, 80 U.S. (13 Wall.) 128 (1871)); see also Axel Johnson, Inc. v. Arthur Anderson & Co., 6 F.3d 78, 81 (2d Cir. 1993) ([t]he rule of Klein precludes Congress from usurping the adjudicative function assigned to the federal courts under Article III").

Although the rule of Klein prohibits Congress from directing particular results in individual cases, it does not prevent Congress from "changing the law applicable to pending cases." Axel Johnson, 6 F.3d at 81. Where "legislation can be characterized as changing the underlying law rather than as prescribing a different outcome under the pre-existing law, it will not violate the separation of powers principle formulated in Klein." Benjamin, 124 F.3d at 174; Robertson v. Seattle Audubon Society, 503 U.S. 429 (1992). Moreover, the fact that the change in the law effects only a "limited class of cases" does not compel the conclusion that it violates separation of powers. See Axel, 6 F.3d at 82; Robertson, 503 U.S. at 435 n.2 (upholding statute that specifically mentioned two pending cases to which it was applicable).

As in Robertson, § 211 effected a change in the underlying law applicable to this case. The statute establishes that Cuban nationals cannot assert treaty rights in trademarks and trade names if such names or marks previously were used in connection with confiscated businesses. The statute does not, however, "purport [ ] to direct any particular findings of fact or applications of law, old or new, to fact." Robertson, 503 U.S. at 438; Axel, 6 F.3d at 82 (finding that statute did "not directly interfere with judicial factfinding"). This Court must still determine whether the facts of this case satisfy the statutory requirements, namely whether the statute applies to plaintiffs and whether the name at issue was used in connection with a

confiscated business.[8]

III. False Designation of Origin Claim--Standing

Plaintiffs have also brought a claim that Bacardi's use of the "Havana Club" trademark and the label used on the rum -- which feature an old-style sketch of Malecon, a seafront boulevard in Havana -- constitute a false designation of geographic origin in violation of § 43(a) of the Lanham Act. Plaintiffs argue that this trademark and labeling will deceive customers into believing that the rum is of Cuban origin when, in fact, it is produced in the Bahamas.

Section 43(a) provides that

> [a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities by another person . . . shall be liable in a civil action *by any person who believes that*

---

[8] HCI's final argument, that in order for § 211 to apply defendants would have to show that JASA had a positive net value when it was expropriated, is not convincing. Section 211 defines "confiscated" as the expropriation of the ownership of property "without the property having been returned or adequate and effective compensation being provided." The record shows that all of JASA's assets were taken and that it received no compensation.

he or she is likely to be damaged by such act."

15 U.S.C. § 1125 (emphasis added). Defendants assert that plaintiffs lack standing to press their § 43(a) claim because they cannot satisfy the statute's requirement that they are "likely to be damaged" by any of defendants' actions. The thrust of their argument is that because the CACR prevent plaintiffs from selling any rum in the United States, plaintiffs cannot demonstrate any likely injury resulting from defendants' actions.

Standing is comprised of constitutional and prudential components.[9] See Bennett v. Spear, 520 U.S. 154, 162 (1997) (citing Warth v. Seldin, 422 U.S. 490, 498 (1975)). The constitutional component is derived from Article II's requirement of a "case or controversy." It requires that a plaintiff have suffered an "injury in fact," that this injury be "fairly traceable" to the actions of the defendant and that a favorable decision be able to redress this injury. Bennett, 520 U.S. at 162.

Although consumers lack standing to assert § 43(a) claims, persons or entities that will suffer a commercial injury as a result of defendant's actions generally have standing. See Berni v. International Gourmet Restaurants, 838 F.2d 642, 648 (2d Cir. 1988) ("this court has limited standing to assert a section 43 claim to a 'purely commercial class' of plaintiffs"). Although consumers do not have standing, consumer confusion is at the heart of the purpose of the Lanham Act and is "the

---

[9] The prudential component of standing is comprised of "judicially self-imposed limits on the exercise of federal jurisdiction." Bennett, 520 U.S. at 162. Unlike standing requirements derived from the Constitution, they may be abrogated or modified by Congress. See id.

central inquiry in all cases of alleged trademark infringement and unfair competition." Spring Mill, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 357 (2d Cir. 1983).

In the context of claims under § 43(a), the Second Circuit has further refined the concept of standing. A plaintiff need not be a direct competitor of the party allegedly engaging in the false designation of its products. See id. To establish standing, however, a plaintiff must

> demonstrate a "reasonable interest to be protected" against the advertiser's false or misleading claims, and a "reasonable basis" for believing that this interest is likely to be damaged by the false or misleading advertising. The "reasonable basis" prong embodies a requirement that the plaintiff show both likely injury and a causal connection to the false advertising.

PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1111 (2d Cir. 1997) (citing Ortho Pharmaceutical Corp. v. Cosprophar, Inc., 32 F.3d 690, 694 (2d Cir. 1994) (internal citations omitted)). This standard requires more than a "mere subjective belief" of injury, but does not require plaintiff to prove that it has suffered actual monetary loss. Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 189 (2d Cir. 1980). Therefore, a plaintiff who can demonstrate that it has the "potential for a commercial or competitive injury," Berni, 838 F.2d at 648, or, in other words, that the false designation of defendant's product is likely to cause plaintiff to suffer a loss in sales, has standing to bring a suit for injunctive relief. Johnson & Johnson, 631 F.2d at 190.

Where plaintiff's and defendant's products are not directly in competition, courts in this circuit have held that plaintiff's likelihood of injury and causation will not be presumed but must be demonstrated in some manner. See Ortho Pharmaceutical, 32 F.3d at 694. This link is generally

provided by the introduction of consumer surveys showing that a significant number of consumers are being misled by defendant's falsehoods. See Johnson & Johnson, 631 F.2d at 190-191.

Plaintiffs do not dispute that due to the particular circumstances of this case -- namely that they are prevented from importing their rum into this country because of the embargo -- their product does not, and cannot, currently compete with defendant's Havana Club rum in the United States and that they therefore have not lost any sales here. Nor have they argued (or proved) that their rum competes with defendants' Havana Club product anywhere outside of the United States.[10] Plaintiffs, however, present a variety of arguments why they nonetheless have standing to challenge defendants' alleged false designation of origin.

Plaintiffs argue that they have standing to bring a § 43(a) claim "simply by virtue of their position as Cuban-based exporters of Cuban-origin rum." Because plaintiffs market their rum on the basis of it being the exclusive or primary source of Cuban-origin rum, plaintiffs argue that sales of "false" Cuban rum will deprive them of their main selling point and cause them to lose consumers looking for Cuban-origin rum. In addition, as a related argument, plaintiffs argue that Bacardi's packaging will lead consumers to identify

---

[10] The Lanham Act can reach activities occurring outside the United States. In determining when the extraterritorial application of the Act is proper, a court must look to the following factors: (1) whether defendant's conduct has a "substantial effect on United States commerce"; (2) whether defendant is a United States citizen; and (3) whether there is conflict with trademark rights established under foreign law. See Fun-Damental Too, Ltd. v. Gemmy Industries, Corp., 111 F.3d 993, 1006 (2d Cir. 1997).

the "character and quality" of Bacardi's rum with Cuban-origin rum, which could hurt plaintiffs' reputation for quality.

Plaintiffs also argue that the embargo is a "temporary suspension" of their ability to sell rum in the United States and that they are poised to enter this market -- a natural area of expansion for a Cuban-rum producer -- as soon as the embargo is lifted. This fixed intent to enter the U.S. market as soon as the law allows, they argue, is a "contemplated commercial interest" sufficient to confer standing on them. See PDK Labs, 103 F.3d at 1111.

In addition, plaintiffs contend that they are losing sales to U.S. visitors to Cuba. As discussed above, certain Americans are authorized to visit Cuba and to spend up to $100 per day during their stay, and plaintiffs have presented evidence that a significant number of these Cuban visitors buy their Havana Club rum while in Cuba. If defendants' Havana Club rum is sold in the United States, they contend, these visitors will believe that Cuban rum is available in, this country, and they will be less likely to buy plaintiffs' rum while in Cuba.

1. Plaintiffs' status as Cuban-origin rum producers

In support of their first argument, plaintiffs point to the language of § 43 (a) as it existed prior to the 1988 amendments to the Lanham Act. This prior version of § 43 (a) granted standing to

> any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or . . . any person who believes that he or she is likely to be damaged by the use of any such false description.

15 U.S.C.A. § 1125(a) (prior to amendment). The Senate Report on the 1988 amendments states that by changing the

language regarding standing, the Senate's intention was that standing "should continue to be decided on a case-by-case basis, and that the amendments . . . made to the legislation with respect to [this issue] should not be regarded as either limiting or extending applicable decisional law." Sen. Rep. No. 100-515, 100th Cong., 2d Sess. (1988) at 5604.

Because the Cuban embargo presents a unique factual circumstance, however, there is no prior "applicable decisional law" upon which this Court can rely. Plaintiffs have not identified -- and this Court has not found -- any § 43(a) case prior to 1988 in which a court upheld standing on the sole basis that the plaintiff was from the locality falsely designated as the origin of defendant's product. Plaintiffs point to Scotch Whiskey Ass'n v. Barton Distilling Co., 489 F.2d 809 (7th Cir. 1973) in support of their argument. In that case, the court granted an injunction sought by plaintiffs, "producers of Scotch whiskey in Scotland, marketed throughout much of the world against an American defendant that shipped "Scotch Whiskey" labels to Panama and the Canal Zone to be used on non-Scottish whiskey. There is nothing in that court's opinion, however, indicating that plaintiffs were not selling Scotch Whiskey in Panama and the Canal Zone. Indeed, it is reasonable to presume that plaintiffs were in direct competition with defendants in those areas. Similarly, in the other cases cited by plaintiffs, the falsely designated products were sold in the same area as the plaintiff's products, and no court found standing based solely on the fact that the plaintiff did business in the area falsely designated by the defendant. See Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., 633 F.2d 746 (8th Cir. 1980) (falsely designated Black Hills jewelry sold in South Dakota); Scotch Whiskey Assoc. v. Consolidated Distilled Products, Inc., 210 U.S.P.Q. 639 (N.D. Ill. 1981) (spurious Scottish whiskey sold in United States).

2. Plaintiffs' intent to enter the United States

Plaintiffs put great emphasis on their fixed intention to enter the U.S. market as soon as they are legally able. This intent appears to be genuine, and the only obstacle to plaintiffs' entering the U.S. market is the embargo. See Adrian Tr. at 133-34. Obviously, following such entry, plaintiffs would be direct competitors of defendants in the rum market.

A party can base standing on a potential for a future competitive injury. See Berni, 838 F.2d at 648 (plaintiff must show "the potential for a commercial or competitive injury"); National Lampoon, Inc. v. American Broadcasting Co., Inc., 376 F. Supp. 733, 746 (S.D.N.Y. 1974), aff'd, 497 F.2d 1343 (2d Cir. 1974) (satirical humor magazine had standing to sue television network for using portion of its name where magazine was negotiating for production of its own special program and "[n]etwork television [was] within plaintiff's area of natural expansion"). It is clear however, that such future injury may not be too remote.

So, for example, in PDK Labs. Inc. v. Friedlander, 103 F.3d 1105 (2d Cir. 1997), a weight loss products retailer brought a declaratory judgment action against the holder of a patent on a method for producing weight loss, seeking a declaration that the patentee lacked standing to bring false advertising claims against it under § 43(a). The Court held that because the patentee lacked a product that competed with plaintiff, it had no standing: "[patentee's] hopes of eventually obtaining FDA approval and selling a retail weight loss product are too remote at this stage to confer standing to challenge [plaintiff's] advertising." Id. at 1112. In so holding, the court expressed doubt as to whether the patentee could ever develop such product, given the large expenses it would first have to incur in studies, legal expenses and product testing. See id. at 1112 n.7; see also Ortho Pharmaceutical, 32 F.3d at 696-97 (no standing for a manufacturer of RETIN-A prescription drugs to

sue distributor of over-the-counter anti-aging cosmetics because the products are not in direct competition and plaintiff failed to provide any evidence that consumers would see defendant's products as substitute for plaintiff's).

Plaintiffs' ability to enter the U.S. market is too remote at this point to confer standing. The embargo is, admittedly, designed to be temporary. Despite widespread criticisms of the embargo, however, see Havana Club, 961 F. Supp. at 498-502, it has now been in place for over thirty-five years. In addition, the recent passage of the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 ("Cuban Liberty Act"), 22 U.S.C. §§ 6021-6091, which codifies and strengthens the embargo, attests to its continued viability for the foreseeable future. Under the LIBERTAD Act, the President, upon consultation with Congress, may "take steps to remove the economic embargo of Cuba when the President determines that a transition to a democratic elected government in Cuba has begun." 22 U.S.C. § 6061(14). The conditions constituting this transition are substantial and include, for example, the legalization of all political activity, 22 U.S.C. § 6065(a)(1), the release of all political prisoners, 22 U.S.C. § 6066(a)(2), and a public commitment to the organization of free and fair elections for a new government, 22 U.S.C. § 6065(a)(4).

The issue is one of remoteness. Before plaintiffs can sell rum in this country, significant changes must first occur in the political situation in Cuba, in addition to executive and legislative action in this country. Unlike in PDK, in which the only significant obstacle to the patentee's developing a competing product was its raising sufficient funds, an act presumably almost entirely within its control, the conditions precedent to the lifting of the embargo are beyond the control of plaintiffs and so are in a very real sense even more remote. There is no way for this Court to reasonably foresee when these changes will occur, whether in the near future or in another 35 years. At this point, because plaintiffs can sell no product in

this country and may not be so able for a significant length of time, they suffer no impairment of their ability to compete as a result of defendants' actions. Any competitive injury plaintiffs will suffer based upon their intent to enter the U.S. market once the embargo is lifted is simply too remote and uncertain to provide them with standing.

3. Present injury to plaintiffs' sales and reputation

Plaintiffs also argue that defendants' false designation of Cuban origin on their rum will impair plaintiffs' sales to United States visitors to Cuba. At closing arguments, plaintiffs argued that if consumers purchased defendants' rum in the United States under the false belief that Cuban Havana Club rum is available here, such consumers would be less likely to buy plaintiffs' rum when visiting Cuba. In support of this argument, plaintiffs offered evidence that their product is purchased in Cuba by U.S. visitors and brought into the United States by a large percentage of them as accompanying baggage. See Diaz Test. at 293-302.

Plaintiffs' argument, however, suffers from one fatal flaw. The class of U.S. citizens permitted to travel to Cuba is very limited, including those with relatives in Cuba, journalists and students. Those travelers authorized to visit Cuba, who must comply with OFAC travel restrictions, are certainly aware of the embargo and the fact that Cuban products are not available in the United States. Thus, it seems highly unlikely that those travelers seeking genuine Cuban rum would be deterred by sales of defendants' rum in the United States.[11]

---

[11] Plaintiffs have presented evidence based on consumer surveys that despite the embargo, 33% of Americans think that it is legal to sell rum from Cuba in the United States and 9% do not know whether it is legal or illegal. Despite this evidence,

(continued...)

Plaintiffs provide no further explanation of how their reputation and sales are damaged by defendants' alleged false designation of origin. With no ability to sell rum in the United States in the foreseeable future and no reasonable expectation that U.S. travelers to Cuba, aware of the embargo against Cuban-origin goods in this country, will think that defendants' rum is made in Cuba, there is no other basis for a showing of a foreseeable injury.[12]

The fact that plaintiffs have no standing to bring this claim, however, does not automatically mean that defendants' alleged false designation of origin -- if true -- will go unremedied. Bacardi faces direct competition from other rum producers in this country, who, if able to show reliance by consumers on such designation and their own consequent loss of sales, are likely to have standing to seek redress. There is no doubt that plaintiffs seek a laudable capitalist goal -- to compete fairly, to maximize their sales and perhaps even to protect American consumers. Their inability to do so at this time, however, is not caused by defendants' actions, however fair or unfair they may be, but by the executive and legislative determination that the Cuban embargo continues to be a component of our foreign policy.

IV. Conclusion

For the reasons set forth above, this Court finds for defendants on all of plaintiffs' claims. A judgment in defendants' favor shall be entered immediately.

---

[11] (...continued)
it is intuitively doubtful that these finding would apply to U.S. travelers authorized to visit Cuba.

[12] Because HCI has no standing to bring this claim, there is no need to address defendants' "unclean hands" defense.

SO ORDERED:

/s/

Shira A. Scheindlin

U.S.D.J.

DATED: New York, New York
June 25, 1999

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

---X

HAVANA CLUB HOLDING, S.A. and HAVANA CLUB INTERNATIONAL, S.A.,

Plaintiffs,

- against -

GALLEON S.A., BACARDI-MARTINI USA, INC., GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS, INC. and PREMIER WINE AND SPIRITS,

Defendants.

---X

OPINION AND ORDER

96 Civ. 9655 (SAS)

SHIRA A. SCHEINDLIN, U.S.D.J. :

Defendants move for summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure on their counterclaim for cancellation of the "Havana Club" trademark and design registration in the United States Patent and Trademark Office ("PTO"). Defendants first contend that Plaintiffs' attempt to secure their rights to the mark without approval of the Office of Foreign Assets Control ("OFAC") stripped Plaintiffs of any rights to the mark and thus caused the mark to be abandoned. In opposition, Plaintiffs contend that their acquisition of rights to the mark was valid under the Cuban Assets Control Regulations ("CACR"), as well as the General Inter-American Convention for Trade Mark and Commercial Protection ("Inter-American Convention").

Plaintiffs claim, in the alternative, that there was no requirement that OFAC approve the assignment. Defendants additionally seek cancellation of Plaintiffs' registration of the mark based on the theory that Plaintiffs have no right to use the mark.

Plaintiffs move to amend their complaint to include two additional causes of action against Defendants. Plaintiffs also move to dismiss certain counterclaims raised by Defendants. For the reasons set forth below, Defendants' motion is granted, in part, and denied, in part. Plaintiffs' motion to amend their complaint is granted, in part, and denied, in part. Plaintiffs, motion to dismiss certain of Defendants' counterclaims is denied without prejudice.

I. DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

A. Legal Standard

A party is entitled to summary judgment when there is "no genuine issue of material fact" and the undisputed facts warrant judgment for the moving party as a matter of law. See Fed.R.Civ.P. 56 (c); Celotex v. Catrett, 477 U.S. 317 (1986); Anderson v. Liberty Lobby Inc., 477 U.S. 317 (1986). The burden of demonstrating the absence of a material factual dispute rests on the moving party. See Gallo v. Prudential Residential Svcs, Ltd., 22 F.3d 1219, 1223 (2d Cir. 1994). Once that burden is met, the non-moving party must present "significant probative supporting evidence" that a factual dispute exists. Fed.R.Civ.P. 56(e); Anderson, 477 U.S. at 249.

The court's role is not to try issues of fact, but rather to determine whether issues exist to be tried. See Balderman v. United States Veterans Admin., 870 F.2d 57, 60 (2d Cir. 1989); Donahue v. Windsor Locks Bd. of Fire Comm'rs, 834 F.2d 54, 58 (2d Cir. 1987). All ambiguities must be resolved and all inferences drawn in favor of the party against whom summary

judgment is sought. See Anderson, 477 U.S. at 255; Donahue, 834 F.2d at 57, 60. If there is any evidence in the record from which a reasonable inference could be drawn in favor of the non-moving party on a material issue of fact, summary judgment is improper. See Chambers v. TRM Copy Centers Corp., 43 F.3d 29, 37 (2d Cir. 1994).

B. Factual Background

1. The Cuban Assets Control Regulations

The CACR were implemented in 1963 under Section 5(b) of the Trading with the Enemy Act of 1917 ("TWEA"), as amended, 50 U.S.C. App. 1-44. Section 5(b) of the Act affords the President "broad authority to impose comprehensive embargoes on foreign countries as one means of dealing with both peacetime emergencies and times of war." Regan v. Wald, 468 U.S. 222, 225-26 (1984). The CACR, one such embargo, were adopted in response to Cuban efforts to destabilize Latin American governments. Id. at 226 (citing Presidential Proclamation No. 3447, 3 C.F.R. § 157 (1959-1963 Comp.)).

The President had delegated his powers under the TWEA to the Secretary of the Treasury in 1942. In 1962, the Secretary delegated the administration of foreign assets control regulation to OFAC. See Sardino v. Federal Reserve Bank of New York, 361 F.2d 106, 109 n.2 (2d Cir. 1966). OFAC remains responsible for executing and enforcing economic embargoes and sanctions programs against several countries. See Free Trade with Cuba Act, Hearings on H.R. 2229 Before the Subcomms. on Select Revenue Measures and Trade of the House Comm. on Ways and Means, 103rd Congress 99 (1994) (statement of R. Richard Newcomb, Director of OFAC) . In that capacity, OFAC administers the embargo against Cuba pursuant to the CACR. The CACR prohibit transfers of property, including trademarks, in which a Cuban entity has an interest, except when specifically authorized by the Secretary of

the Treasury. See 31 C.F.R. §§ 515.201(b), 515.311. OFAC, acting on behalf of the President, enjoys considerable discretion to authorize otherwise prohibited transactions by way of licenses. See id. § 515.801(b)(6). Moreover, OFAC has the same discretion to amend, modify or revoke both the licensing provisions of the CACR, as well as individual licenses, at any time. Id., § 515.805.

2. The Current Controversy

Havana Club rum, produced in Cuba and distributed under the Havana Club trademark, has been exported to over twenty countries since 1973. See Declaration of Luis Francisco Perdomo Hernandez ("Perdomo Decl."), Vice Chairman of the Board of Havana Club Holding, S.A., dated June 6, 1997, ¶ 5. According to Plaintiffs, the sole reason Havana Club rum is not currently sold in this country is that the embargo prohibits its importation, except as accompanying baggage of a returning United States visitor to Cuba. See 31 C.F.R. § 515.560(c)(3); Complaint ¶ 27. Plaintiffs assert that since 1973, the owners of Havana Club rum have intended to sell their rum in the United States as soon as it is legally possible to do so. Complaint ¶ 27. At present, the principal markets for Havana Club rum are Western Europe, Canada, and Mexico, although Havana Club is also sold in Central and South America, and in other markets. Id. at ¶ 25.

Under Section 44 of the Lanham Act, foreign entities are permitted to register trademarks in the United States. 15 U.S.C. § 1126. Pursuant to Section 44, the Havana Club mark was registered in the United States in 1976 by Cubaexport, a Cuban state enterprise, based on Cubaexport's registration of the mark in Cuba. Complaint ¶ 17; 15 U.S.C. § 1126(c). Cubaexport continued to market Havana Club rum internationally from 1972 until 1993. Perdomo Decl. ¶ 5.

In 1993, Cubaexport's Havana Club rum business was

reorganized to incorporate a foreign partner. See Perdomo Decl. ¶ 11. Cubaexport reached an agreement with Pernod Richard, S.A. ("Pernod"), an international distributor of liquor, to form two companies: (1) Havana Club Holding ("HC Holding"), of which 50% equity and board representation was to be held by a newly formed Cuban company, Havana Rum & Liquors, S.A., and 50% by Pernod; and (2) Havana Club International ("HCI"), which has a 50-50 equity split between Havana Rum & Liquors and Pernod, both through direct holdings and through holdings in HC Holding. See Perdomo Dec. ¶ 12. Plaintiffs allege that all of the assets associated with the Havana Club trademark were transferred as part of this reorganization by Cubaexport to Havana Rum & Liquors, which then transferred them to HC Holding. Id. HC Holding then granted HCI an exclusive license to sell Havana Club rum and to use the Havana Club trademark. Id. The transfer of the trademark in the 1993 reorganization of Cubaexport's Havana Club business was governed by the CACR.

On October 5, 1995, Plaintiffs applied to OFAC for a specific license[1] authorizing the assignment of the Havana Club trademark, Registration No. 1,031,651, from Cubaexport to Havana Rum & Liquors, S.A. to Havana Club Holdings, S.A. See Affidavit of Margaret Ferguson ("Ferg. Aff."), attorney for Defendants, May 23, 1997, Ex. E. On November 13, 1995, OFAC issued License No. C-18147, which approved the assignment and authorized all necessary transactions incident to the assignment of the mark. Id. However, on April 17, 1997, OFAC issued a Notice of Revocation stating that "as a result of facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995, License No. C-18147 . . . is hereby revoked retroactive to the date of issuance." Id., Ex. G. OFAC did not further explain

---

[1] For an explanation of the difference between a specific license and a general license see p. 8-9 *infra*.

the grounds for the revocation but did state that any action taken under the license is null and void as to matters under its jurisdiction. See id.

OFAC enjoys considerable discretion in granting or revoking licenses, and the CACR permit OFAC to amend, modify, or revoke a license at any time, on its own initiative. See Havana Club Holding, S.A. v. Galleon S.A., 961 F. Supp. 498, 505 (S.D.N.Y. 1997). Moreover, the CACR grant OFAC the authority to take such action *sua sponte*. Id. Because the issuance or revocation of licenses by OFAC is committed to OFAC's discretion, OFAC's decisions are not reviewable by this Court. Id. at 503, 505. Consequently, Defendants contend that because Plaintiffs have failed to obtain a specific license and are unable to challenge OFAC's decision, Plaintiffs cannot validly transfer the United States registration of the Havana Club mark. See Memorandum of Law in Support of Defendants' Motion for Partial Summary Judgment ("Def. Mem.") at 8.

Plaintiffs advance four arguments in response to Defendants' assertion: (1) the general license for United States intellectual property, provided for in the CACR, permitted the assignment of the mark, see 31 C.F.R. § 515.527 (a); (2) the Inter-American Convention requires this Court to construe the general license to authorize the assignment of the mark; (3) the Fifth Amendment of the Constitution similarly requires that the general license is sufficient to authorize the assignment; and, in the alternative, (4) the Havana Club mark is not covered by the TWEA and CACR. Each of these arguments is offered to support Plaintiffs' contention that Cubaexport effectively transferred the rights to the mark to Plaintiffs. I turn now to each of these arguments.

C. Discussion

1. Plaintiffs' Application Under the CACR

Plaintiffs argue that although they applied for a specific license to transfer the trademark, the general license provided in the CACR is sufficient for this purpose. See Plaintiffs' Memorandum of Law in Opposition to Motion for Partial Summary Judgment ("Pl. Mem.") at 4. The CACR creates both general licenses, which permit classes or categories of transactions with Cuban nationals, see, e.g., 31 C.F.R. § 515.542 (authorizing "[a]ll transactions of common carriers incident to the receipt of mail between the United States and Cuba"), and specific licenses, which require individualized determinations and approval by OFAC. See id. § 515.801. A general license, furthermore, "is any license or authorization the terms of which are set forth [in the CACR]." 31 C.F.R. § 515.318. The general license pertaining to United States intellectual property authorizes "[t]ransactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest . . . ." 31 C.F.R. § 515.527(a) (emphasis added).

By the express terms set forth in this section, the general license allows for the registration and renewal of trademarks. It does not, however, address the question of whether a registration may be assigned to an individual or corporation. Because the terms of the general license do not contain express authorization for the transfer of rights to trademarks, an individual or company seeking to assign a trademark is therefore required to obtain a specific license. A specific license "is any license or authorization issued pursuant to [the CACR] but not set forth in [the CACR]." 31 C.F.R. § 515.318.

Here, the participation of Cuban entities in a transaction

involving United States property triggers the CACR. The particular transaction at issue - the assignment of the United States trademark -- is not expressly permitted by the general license governing intellectual property. Thus, because Plaintiffs seek to engage in a transaction covered by the CACR but not expressly permitted therein, Plaintiffs' transfer of the mark is only permitted by OFAC's issuance of a specific license.

Moreover, on December 19, 1996, the Director of OFAC, R. Richard Newcomb, informed Defendants' counsel that the

> general license allows only for the registration and renewal of intellectual property; § 515.527 does not convey to the registrant the authority to assign the registrant's interest in a patent, trademark or copyright registered in the United States to another person. Such an assignment would require authorization by OFAC in the form of a specific license.

Ferg. Aff., Ex. F.[2] Because Congress has not "directly spoken to the precise question at issue," the court must sustain the Director's interpretation so long as it is "based on a permissible construction of the statute." Auer v. Robbins, 117 S. Ct. 905, 909 (1997) (quoting Chevron U.S.A. v. Natural Res. Def.

---

[2] Although Newcomb's interpretation is found in an affidavit from Defendants' counsel, the form of Newcomb's comments does not render them unreliable. The communication is consistent with statements OFAC has made to Plaintiffs. There is no reason to suspect that the interpretation made by OFAC does not reflect the agency's fair and considered judgment on the matter. See Auer v. Robbins, 117 S. Ct. 905, 912 (1997) (finding that the court may rely upon an interpretation of a federal statute by the Secretary of Labor in an amicus brief).

Council, 467 U.S. 837, 843 (1984)). The Supreme Court has long recognized "that considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer." Chevron U.S.A. v. Natural Res. Def. Council, 467 U.S. at 844.

Both the express terms of the general license and my analysis of the relevant CACR provisions compel the conclusion that OFAC has properly construed the statute to preclude a transfer under the general license. Accordingly, a specific license was required for the assignment of the Havana Club trademark. Plaintiffs' use of the general license was insufficient for this purpose.[3]

2. The Inter-American Convention

Plaintiffs next argue that the Inter-American Convention requires that the general license be construed to permit the assignment of trademarks. The Inter-American Convention, a multilateral regional trademark treaty between the United States and several Latin American nations, compels signatory nations to grant to the nationals of other signatory nations the same rights and remedies which their laws extend to their own nationals. See Inter-American Convention, ch. I, art. 1, 46 Stat. at 2912. The United States and Cuba are both signatory nations to the Convention. Treaties In Force: A List of Treaties and Other International Agreements of the United States In Force on January 1, 1996, 373 (June 1996).

Article 11 of the Inter-American Convention provides

---

[3] Plaintiffs own October 19, 1995 application to OFAC to obtain a specific license suggests that, prior to OFAC's revocation, Plaintiffs would have agreed with this conclusion.

that

> the transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

Inter-American Convention, ch. II, art. 11, 46 Stat. at 2922-2924. In the spirit of according reciprocal rights between signatory nations, Article 11 binds the United States and all other member nations[4] to give effect to and record upon its registry a valid transfer of a trademark that has occurred in another member nation. Accordingly, Plaintiffs argue, the transfer of a trademark in Cuba has the effect of transferring the trademark in the United States, and the United States is obligated to record this transfer on its registry. See Pl. Mem. at 6.

Plaintiffs further argue that an irreconcilable conflict between the CACR and the Inter-American Convention arises if the general license does not allow for the transfer in the United States of a transfer that was valid in Cuba. Plaintiffs correctly invoke the principle that "an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains." Sale v. Haitian Centers Council, Inc., 509 U.S. 155, 160 n.35 (1992) (quoting Murray v. The

---

[4] The signatory nations to the Inter-American Convention are Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, and the United States. Treaties in Force, 373, 1996.

Charming Betsy, 6 U.S. (2 Cranch) 64, 118 (1804)). See Pl. Mem. at 6. However, construing the Inter-American Convention as Plaintiffs suggest would circumvent the CACR's provisions regarding general and specific licenses and OFAC's unreviewable interpretation of the CACR. The issue then is whether the CACR supersedes the Inter-American Convention.

Under our constitutional system, statutes and treaties are both the supreme law of the land, and the Constitution establishes no order of precedence between them. U.S. Const. art. VI, cl. 2. The Supreme Court has "repeatedly taken the position that an Act of Congress, which must comply with the Constitution, is on a full parity with a treaty, and that when a statute which is subsequent in time is inconsistent with a treaty, the statute to the extent of conflict renders the treaty null." Reid v. Covert, 354 U.S. 1, 17 (1957). The classic enunciation of the principle governing conflicting treaties and statutes is that in Whitney v. Robertson, 124 U.S. 190, 194 (1888):

> By the Constitution a treaty is placed on the same footing, and made of like obligation, with an act of legislation. Both are declared by that instrument to be the supreme law of the land, and no superior efficacy is given to either over the other. When the two relate to the same subject, the courts will always give effect to both, if that can be done without violating the language of either; but if the two are inconsistent, the one last in date will control the other . .

See also Blanco v. United States, 775 F.2d 53, 61 (2d Cir. 1985) (quoting Whitney in a discussion of the conflicting Public Vessels Act of 1925 and the 1928 Honduras Act). Although repeals by implication are not favored, the Supreme Court has

articulated two well-settled categories of implied repeals:

> (1) Where provisions in the two acts are in irreconcilable conflict, the later act to the extent of the conflict constitutes an implied repeal of the earlier one; and (2) if the later act covers the whole subject of the earlier and is clearly intended as a substitute, it will operate similarly as a repeal of the earlier act.

Posadas v. National City Bank of New York, 296 U.S. 497, 502 (1936). In either case, the intention of the legislature must be clear and manifest; otherwise, the later act is to be construed as a continuation of, and not a substitute for, the first act. See id.

The CACR, enacted in 1963, were issued 32 years after the ratification of the 1931 Inter-American Convention. Moreover, they were meant to be temporary. Thus, construing the CACR presents a unique scenario. The CACR were issued by President Kennedy, pursuant to § 5(b) of the TWEA. As a result, there is no legislative history. The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 ("Cuban Liberty Act"), 22 U.S.C. §§ 6021-6091, in which the CACR are now codified, declares that it is United States policy "[t]o take steps to remove the economic embargo of Cuba when the President determines that a transition to a democratic elected government in Cuba has begun."[5] 22 U.S.C. § 6061 (14). The Cuban Liberty Act, moreover, was enacted 65 years after the Inter-American Convention.

Both OFAC's construction of the CACR and their

---

[5] 22 U.S.C. § 6065 states the conditions constituting "a transition government in Cuba," which include, for example, the legalization of all political activity, 22 U.S.C. § 6065 (1); and a public commitment to the organization of free and fair elections for a new government, 22 U.S.C. § 6065(3).

temporary nature lead to the conclusion that the CACR are not to be understood "as a continuation of" the Inter-American Convention. OFAC's determination that the general license does not allow for the transfer of the trademark, which would be permitted under the Inter-American Convention, strongly suggests that the CACR constitutes an implied repeal of this earlier convention. The CACR appear to be a temporary substitute for the Inter-American Convention, among other treaties and conventions.[6] Once the CACR are lifted, transactions pursuant to the Inter-American Convention and other treaties will be recognized once again.

The passage in 1996 of the Cuban Liberty Act also supports this conclusion. One purpose of the Act is to "strengthen international sanctions against the Castro government." 22 U.S.C. § 6022(2). The Act also states that the President shall instruct the Secretary of the Treasury and Attorney General to fully enforce the provisions of the CACR. 22 U.S.C. § 6032(c). Moreover, it is the policy of the United States, upon the President's determination that a democratically elected government exists in Cuba, to "support the reintegration of the Cuban Government into Inter-American organizations . . ." 22 U.S.C. § 6061(13).

Plaintiffs' argument runs counter to the underlying policies of the CACR. The interests advanced by the CACR are (1) to limit funds which Cuba may use to promote activities that may be harmful to the United States; (2) to use blocked funds for leverage for negotiations with the Cuban Government; and (3) to retain control over blocked funds for possible use or

---

[6] The Paris Convention, as well as the Agreement on Trade-Related Aspects of Intellectual Property rights, incorporated in the Uruguay Round Agreement Act, may have also allowed for the transfer of the registration in the absence of the CACR.

vesting in settlement of American claims. See De Cuellar v. Brady, 881 F.2d 1561, 1569 (11th Cir. 1989); Capital Cities/ABC, Inc. v. Brady, 740 F. Supp. 1007, 1013 n.13 (S.D.N.Y. 1990); see also Cheng Yih-Chun v. Federal Reserve Bank of New York, 442 F.2d 460, 465 (2d Cir. 1971). The inclusion of Pernod as a partner in the reorganization of Havana Rum & Liquors allowed hard currency to flow into Cuba. See Reply Affidavit of Margaret Ferguson ("Reply Ferg. Aff.") June 16, 1997, Ex. D. (Perdomo's deposition describes Pernod's payment of an unspecified price to Havana Rum & Liquors in exchange for the mark). Although the facts are not entirely clear, Pernod engaged in a transaction with Havana Rum & Liquors in order to gain a 50% percent interest in both HC Holding, the intended assignee of the trademark, and HCI, the intended licensee of the mark. Such a transaction, in which Pernod exchanged currency for rights to the mark, flies in the face of the CACR's aim to limit the flow of funds into Cuba.[7]

As a result, Article 11 of the Inter-American Convention cannot survive the CACR or provide a means of transferring the registration.

3. Due Process

Plaintiffs argue that under the due process standards

---

[7] Although OFAC failed to elaborate on its decision to revoke Plaintiffs, specific license, the "facts and circumstances" which later came to the attention of OFAC apparently concerned the incorporation of Pernod into the ownership of HC Holding and HCI. Plaintiffs' October 19, 1995, application, filed by Plaintiffs' counsel, stated that "each of the assignors and assignees are nationals of Cuba." Plaintiffs' own papers indicate that Pernod, one of the parties involved in the reorganization, is not a national of Cuba. See Perdomo Dec. ¶ 11 (noting that Pernod is a "French liquor distributor").

applicable to the CACR, the distinction between an assignment and a new registration would neither be "the product of a deliberate and rational choice" nor "have a reasonable basis." See Pl. Mem. at 7 (quoting Richardson v. Simon, 560 F.2d 500, 505 (2d Cir. 1977)). "Due process requires that government officials refrain from acting in an irrational, arbitrary or capricious manner." Pollnow v. Glennon, 757 F.2d 496, 501 (2d Cir. 1985). Plaintiffs, however, fail to consider the basic principles of the CACR. As noted above, the CACR are designed, in part, to prevent the flow of hard currency into Cuba which may be used to promote activities adverse to the interests of the United States. See Capital Cities/ABC, Inc. v. Brady, 740 F. Supp. at 1013 n.13. The registration or renewal of a trademark, as authorized by the general license, will generally not promote the flow of funds into Cuba. In such a transaction, an individual or corporation simply seeks to gain protection or renew protection of a trademark. However, the transfer of a registration creates the opportunity for an individual or corporation to purchase the registration from a Cuban entity, thereby allowing hard currency to enter Cuba. The effort to thwart the flow of funds into Cuba provides a rational basis for OFACs distinction between registrations and assignments.

4. The Scope of "Property" Under the CACR

Finally, Plaintiffs contend that no OFAC license, general or specific, was needed to transfer the mark because the registration is not property within the scope of the TWEA or the CACR. See Pl. Mem. at 11. The CACR covers,

> [a]ll dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States.

31 C.F.R. § 515.201(b)(1) . Section 515.311 provides that the terms "property" and "property interest" or "property interests" shall include "trademarks." See 31 C.F.R. § 515.311. Plaintiffs contend that the federal registration does not create the trademark right; it only recognizes the right acquired through use. See Pl. Mem. at 8 (quoting La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1270, n.5 (2d Cir. 1974)). Plaintiffs note that neither HC Holding nor its predecessors have used the trademark within the United States, see Pl. Mem. at 8. Thus, Plaintiffs argue, the trademark has never become common law property nor are there any common law rights in it. Id.

Plaintiffs acknowledge that their registration of the mark evidences alleged rights in the future use of the mark.. See Pl. Mem. at 10 (" . . . an intended future use may confer rights evidenced by a registration."). The CACR unambiguously prohibits all transfers of "evidences of ownership of property by any person subject to the jurisdiction of the United States." 31 C.F.R. § 515.201(b)(1). This section includes the registration of trademarks and prohibits any transaction in which Cuban nationals "at any time . . . had any interest of any nature whatsoever, direct or indirect" in the property involved. Id. Plaintiffs' registration of the Havana Club trademark is not only evidence of alleged rights in the mark, but must also be considered "any interest of any nature whatsoever, direct or indirect" in the Havana Club trademark.

Plaintiffs have also satisfied the jurisdictional requirement of § 515.201(b)(1). The Lanham Act compels foreign registrants such as Plaintiffs to designate an agent subject to the jurisdiction of the United States. The Act provides that "if the applicant is not domiciled in the United States he shall designate . . . the name and address of some person resident in the United States on whom may be served notices or process in proceedings affecting the mark." 15 U.S.C. § 1051(e). Plaintiff HC Holding designated H. John Campaign,

Keith E. Danish and John M. Keene, of Graham, Campaign & McCarthy P.C., in New York, New York for service of notices or process. See Reply. Ferg Aff., Ex. B.

Therefore, in reliance on Plaintiffs' concession that the registration indicates rights to the use of the mark and Plaintiffs' designation of an agent subject to United States jurisdiction, Plaintiffs' attempted transfer of the Havana Club registration fell under the provisions of § 515.201(b) (1) and thus within the scope of the CACR. Plaintiffs' only claim to ownership of the mark is by assignment. Accordingly, Plaintiffs have no rights to the Havana Club trademark.

5. Cancellation of the Mark

Defendants next seek cancellation of the registration because of Plaintiffs' inability to claim rights to the mark. Cancelling the registration under these circumstances, however, would lead to an inequitable adjudication of the matter and neglect the substantial rights of Cubaexport, a party not before this court.

Cubaexport's rights arise out of the invalid transfer of the rights to the mark. The abortive transfer between Cubaexport, Havana Rum & Liquors, and Plaintiffs voids those provisions of the contract relating to the mark, rendering them invalid and of no effect. Cubaexport, Havana Rum & Liquors, and Plaintiffs, as the original parties to the transaction, are returned to the *status quo ante*.[8] Cubaexport, restored as the

---

[8] Cubaexport registered the mark with the PTO on January 27, 1976 pursuant to 31 C.F.R. § 515.527. See Declaration of Caroline Rule (attorney for Plaintiffs) in support of Motion for Preliminary Injunction, dated December 30, 1996, Ex. B, incorporated by reference in Perdomo Decl. ¶ 6.

(continued...)

owner of the registration, inevitably has an interest in the outcome of the registration issue. Thus, Cubaexport is a necessary party to this action.

Plaintiffs cannot assert Cubaexport's rights due to the well-established prohibition on jus tertii defenses in trademark cases. See Marshak v. Sheppard, 666 F. Supp. 590, 599 (S.D.N.Y. 1987) ("jus tertii should not be allowed as a defense in any trademark case"). However, when a court believes that an absentee may be needed for a just adjudication, it may raise compulsory party joinder on its own motion. See, e.g., Gonzalez v. Cruz, 926 F.2d 1, 5 n.6 (1st Cir. 1991); 4 Richard R. Freer, Moore's Federal Practice, § 19.02[4] [a] (3d ed. 1997).

Federal Rule of Civil Procedure 19 provides the legal standards for the joinder of necessary parties. Rule 19(a) states, in relevant part that

> [A] person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if . . . the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person's absence may . . . as a practical matter impair or impede the persons's ability to protect that interest.

See Fed.R.Civ.P. 19. Here, Cubaexport is subject to service of process by service on its United States representative. Joining

---

[8] (...continued)
Cubaexport transferred the mark to Havana Rum & Liquors on October 29, 1993, who transferred the mark to Plaintiffs HC Holding on November 23, 1993. HC Holding proceeded to register it on January 12, 1996. See Perdomo Decl. ¶¶ 8, 12, 13, 21.

Cubaexport as a party will not affect this Court's jurisdiction.

> [S]everal courts have ruled that "the concept of indispensability does not concern the Court's subject matter jurisdiction as much as it deals with the ability or right of the Court to make an adjudication[:] The major question is whether the court can render a decision which will not impair the rights of the absent party."

6247 Atlas Corporation v. Marine Insurance Co., Ltd., 155 F.R.D. 454, 459 (S.D.N.Y. 1994) (quoting Ente Nazionale Idrocarburi v.Prudential Sec. Group, 744 F. Supp. 450, 456 (S.D.N.Y. 1990)); see also Lipton v. Nature Co., 781 F. Supp. 1032, 1034 (S.D.N.Y. 1992) ("Rule 19 motion regarding indispensable parties . . . [is] addressed to the court's equitable discretion. Necessary and indispensable parties can only be determined in the context of the particular litigation; the inquiry must be a fact-based one.").

Cubaexport has a significant business interest in maintaining the registration of its mark. It may reform its agreement with Plaintiffs so that it is once again the company entitled to export the rum under the Havana Club mark after the embargo is lifted. Or, it may seek to renegotiate the assignment of the mark to Plaintiffs after Plaintiffs restructure their corporate organization to comply with the provisions of the CACR. Such opportunities would clearly be impaired if this Court granted Defendants' petition to cancel Cubaexport's registration. Accordingly, Defendants' petition to cancel the registration is denied, and all rights to the registration revert to Cubaexport. However, Plaintiffs rights to the registration are canceled.[9]

---

[9] Defendants additionally argue that the separation of the trademark from the appurtenant business, the hard assets in

(continued...)

II. PLAINTIFFS' MOTION TO AMEND THEIR COMPLAINT

A. Factual Background

Plaintiffs filed their original complaint on December 24, 1996, seeking to enjoin Defendants from using the words "Havana Club" as part of any trademark, service mark, brand name, trade name or other business or commercial designation in connection with the sale, distribution, advertising or promotion of rum or rum products in the United States. Plaintiffs alleged that such use violates their respective rights under §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 and 1125 and have moved for a preliminary injunction pursuant to Federal Rule of Civil Procedure 65.

Plaintiffs now seek leave to file a First Amended Complaint to include two causes of action alleging violations of the Inter-American Convention and additional violations of the Lanham Act. In their third proposed claim for relief, Plaintiffs assert that Defendants used the Havana Club trademark in the United States notwithstanding their knowledge of the prior

---

[9] (...continued)
Cuba, resulted in an assignment in gross. See Def. Mem. at 15. As a general matter, Defendants are correct in asserting that such a situation may lead to an assignment in gross. However, the principle is inapplicable to the unique circumstances of this matter. Cubaexport and Plaintiffs never had assets in the United States. While the Havana Club trademark may be recognizable by U.S. consumers, the embargo has prevented Plaintiffs and Cubaexport from importing, distributing, selling, or maintaining any assets in this country. Thus, it was impossible for the Plaintiffs and Cubaexport to have separated the mark from the business assets when no assets existed in the United States.

protection, existence and use of the trademark in other countries that are signatories to the Inter-American Convention, including Cuba. Plaintiffs allege such use violates Article 7 and Chapter IV of the Inter-American Convention and § 44(h) of the Lanham Act.[10] In their fourth proposed claim for relief, Plaintiffs assert Defendants used Havana, Club as a trademark for rum in the United States notwithstanding that its distinguishing elements consist of a part of Plaintiffs' commercial names, which were previously used by them in Cuba. Plaintiffs allege such use violates Chapter III of the Inter-American Convention and §§ 44(g) and 44(h) of the Lanham Act, 15 U.S.C. §§ 1126(g) and 1126(h).

B. Legal Standard

Pursuant to Federal Rule of Civil Procedure 15 (a), leave to amend a complaint is generally given freely. However, a court may exercise its discretion to deny leave in a number of circumstances. For example, prior to granting leave to amend, a court must examine a proposed claim to determine if it is futile on its face. See Town of New Windsor v. Tesa Tuck, Inc., 919 F. Supp. 662, 678 (S.D.N.Y. 1996); Barret v. U.S. Banknote Corp., 806 F. Supp. 1094, 1098 (S.D.N.Y. 1992). If a claim would be futile, leave to amend should not be granted. See Foman v. Davis, 371 U.S. 178, 182 (1962). An amendment

---

[10] Plaintiffs allege in the Preliminary Statement of their First Amended Complaint that Defendants violated Chapter IV of the Inter-American Convention. Plaintiffs, however, fail to assert this allegation in their statement of their third proposed cause of action. Plaintiffs only make passing reference in a footnote to two remedies supplied by Chapter IV in their Memorandum of Law in Support of Motion for Leave to Amend Complaint and fail to refer to Chapter IV in any sense in their reply brief. Consequently, Plaintiffs may not amend to assert a claim based on Chapter IV.

is considered futile if the amended pleading fails to state a claim or would be subject to a successful motion to dismiss on some other basis. See, e.g., S.S. Silberblatt. Inc. v. East Harlem Pilot Block-Building 1 Housing Development Fund Co., Inc., 608 F.2d 28, 42 (2d Cir. 1979); Chan v. Reno, 916 F. Supp. 1289, 1302 (S.D.N.Y. 1996). In deciding a motion to dismiss, the moving party must demonstrate "beyond doubt that the plaintiff can prove no set of facts in support of [its) claim which would entitle [it] to relief." Conley v. Gibson, 355 U.S. 41, 45-46 (1957). The court must assume the truth of the allegations contained in the complaint and must construe all reasonable inferences in favor of the plaintiff. See Papasan v. Allain, 478 U.S. 265, 283 (1986).

C. Discussion

1. The Lanham Act and Inter-American Convention

Under § 44(b) of the Lanham Act, any person whose country of origin is a party to any trademark convention or treaty to which the United States is also a party

> shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act.

15 U.S.C. § 1126(b). Individuals or companies that meet the requirements of this section may also seek protection of trade names or commercial names "without the obligation of filing or registration whether or not they form parts of marks." 15 U.S.C. § 1126. Furthermore, such individuals or companies

> shall be entitled to protection against unfair competition, and the remedies provided herein for

> infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C. § 1126(h).

Plaintiffs assert that the Lanham Act incorporates and implements the provisions of the Inter-American Convention. Chapter 1, Article 1 of the Convention states, in relevant part, that

> [t]he Contracting States bind themselves to grant to the nationals of the other Contracting States and to domiciled foreigners who own a manufacturing or commercial establishment . . . in any of the States which have ratified or adhered to the present Convention the same rights and remedies which their laws extend to their own nationals or domiciled persons with respect to trade marks, trade names and the repression of unfair competition. . . .

Inter-American Convention, ch. I, art. 1, 46 Stat. at 2912. Chapter II, Article 7 further provides that the owner of a trademark protected in the United States has the right to oppose the use of an infringing mark by proving that the person using the mark knew of the existence and continuous use of the mark in any member nation in connection with goods of the same class. See Inter-American Convention, ch. II, art. 7, 46 Stat. at 2918.

Under Chapter III, "[t]rade names or commercial names of persons entitled to the benefits of this Convention shall be protected in all contracting States." Inter-American Convention, ch. III, art. 14, 46 Stat. at 2926.

2 Plaintiffs' Proposed Third Claim

In order to prevail on a claim of trademark infringement

in violation of the Lanham Act, a plaintiff must show (1) that it has a valid mark that is entitled to protection under the Act, and (2) that use of the defendant's mark infringes plaintiff's mark. Estee Lauder, Inc. v. The Gap, Inc., 108 F.3d 1503, 1508 (2d Cir. 1997). See generally Sports Authority, Inc. v. Prime Hospitality Corp., 89 F.3d 955, 960 (2d Cir. 1996); Arrow Fastener Co. v. Meredith Corp., 991 F.2d 1072 (2d Cir. 1991). As discussed above, Plaintiffs fail to meet the threshold requirement of possessing a valid mark. As a result, Plaintiffs cannot seek protection of that mark under the Lanham Act.

Plaintiffs are also unable to advance a claim based on Article 7 of the Inter-American Convention.[11] Under Article 7, a party opposing another's use of the mark

> may claim for [it]self the preferential right to use such mark in the country where the opposition is made . . . upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

Inter-American Convention, ch. II, art. 7, 46 Stat. at 2918. (emphasis added). Here, Plaintiffs have not complied with United States law because they have no rights to the mark. As discussed above, Plaintiffs have no rights to the registered mark. Thus, Plaintiffs have no standing to assert a preferential right to use the mark. Plaintiffs, therefore, cannot advance a claim under Article 7.

3. Plaintiffs' Proposed Fourth Claim

Plaintiffs seek to protect the "Havana Club" trade name

---

[11] It is highly unlikely that Plaintiffs can assert a claim under the Inter-American Convention without satisfying the requirements of the Lanham Act.

under §§ 44(g) and (h) of the Lanham Act as well as Chapter III of the Inter-American Convention. A trade name as defined by federal law cannot be registered under the Lanham Act. See Application of Walker Process Equipment. Inc., 43 CCPA 913, 915; 233 F.2d 329, 331 (C.C.P.A. 1956); 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition,§ 9.13 (3d ed. 1997). The rationale behind this rule is that "a trade name is usually adopted for the purpose of identifying the company and distinguishing it from other producers, rather than for the trademark purpose of identifying goods, and distinguishing them from those produced by other producers." Id. Use of the trade name is the basis for obtaining exclusionary rights; under the Lanham Act, a trade name is "used by a person to identify his or her business or vocation." 15 U.S.C. § 1127. As with trademarks, the test of infringement of trade names is "likelihood of confusion." See Lang v. Retirement Living Publishing Co., 949 F.2d 576, 579-80 (2d Cir. 1991).

As noted above, Plaintiffs acknowledge their inability to sell rum in the United States due to the CACR. However, Plaintiffs argue that they have used their trade name in a manner which identifies their business. See First Amend. Compl. ¶ 36. Plaintiffs' use of the trade name abroad, id. ¶ 25; the importation of Havana Club rum into the United States as accompanying baggage, id. at ¶ 28; and the "repeated, extensive, continuous and widespread mention and discussion" of Havana Club rum in United States newspapers and periodicals have all helped to establish in the public mind that Plaintiffs are the producers of Havana Club rum, id. at ¶ 38. Even if Plaintiffs' established use of their trade name were not sufficient to identify them as producers of the rum, the CACR is a temporary suspension of Plaintiffs' ability to use the trade name. See Cuban Cigar Brands N.V. v. Upmann Int'l Inc., 457 F. Supp. 1090, 1101 (S.D.N.Y. 1978) (plaintiff found not to have abandoned mark when prevented from exporting cigars into the United States due to intervention by Cuban government). Without the obstacles of the CACR, Plaintiffs

would, as they claim, be able to establish a greater presence in the United States as producers of Havana Club rum. Plaintiffs therefore allege that the use of the Havana Club mark by Defendants will lead to consumer confusion and error. Plaintiffs are permitted to amend their complaint to assert this claim.

Plaintiffs also seek to assert a claim under Chapter III of the Inter-American Convention. Chapter III plainly allows nationals of signatory nations to oppose another's use of an infringing mark. Article 18 of Chapter III states that any owner of a trade name in a signatory nation "may, in accordance with the law and procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of any commercial name" by proving (a) the infringing mark or commercial name is identical with or deceptively similar to Plaintiffs' commercial name and (b) that prior to Defendants' use, Plaintiffs adopted and used the name. See Inter-American Convention, ch. III, art. 18. Plaintiffs allege Defendants' infringing mark is identical with or deceptively similar to theirs. Plaintiffs also satisfy the use requirement of Chapter III through the use of their trade name in Cuba. Accordingly, Plaintiffs may bring a claim to protect their trade name under the Inter-American Convention.

III. PLAINTIFFS' MOTION TO DISMISS COUNTERCLAIMS

Plaintiffs move to dismiss the following counterclaims: (1) a declaratory judgment that Defendants have "the prior, superior and exclusive right" to use the mark on the basis of the alleged rights of a former Cuban corporation, Jose Arechabala, S.A.; (2) the cancellation of the registration on the belief that Plaintiffs have used the mark to misrepresent the source of the goods in violation of the Lanham Act, 15 U.S.C. § 1064(3); and (3) three separate claims of fraud arising from Cubaexport's original application to register the mark and filing of a

declaration of continuing use pursuant to § 8 of the Lanham Act, 15 U.S.C. § 1058.

It is too early to decide these motions. As discussed above, Cubaexport should now be a participant in this action. Cubaexport may seek to raise its own defenses to Defendants' counterclaims and should be given the opportunity to do so. In light of the decision to restore Cubaexport's rights to the mark, Defendants may want to reconsider their counterclaims. Because Plaintiffs' motion is premature, that motion is denied without prejudice to renew at a later date.

IV. CONCLUSION

For the reasons set forth above, Plaintiffs have obtained no rights to the Havana Club trademark via the CACR or the Inter-American Convention. As a result of the invalid transfer, however, Cubaexport's rights to the mark are restored and Defendants' motion for cancellation of Registration No. 1,031,651 is denied. Plaintiffs' motion to amend their complaint is granted, in part, and denied, in part. Plaintiffs' motion to dismiss certain of Defendants' counterclaims is denied without prejudice. A status conference is scheduled for August 14, 1997 at 10 a.m.

SO ORDERED:

/s/
Shira A. Scheindlin
U.S.D.J.

Dated: New York, New York
August 8, 1997

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

HAVANA CLUB HOLDING, S.A. and HAVANA CLUB INTERNATIONAL, S.A.,

Plaintiffs,

-against-

GALLEON S.A., BACARDI-MARTINI USA, INC., GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS, INC. and PREMIER WINE AND SPIRITS,

Defendants.

PARTIAL JUDGMENT

96 Civ. 9655 (SAS)

WHEREAS, the Plaintiffs initiated this action alleging, inter alia, infringement of the registered mark HAVANA CLUB for rum; and

WHEREAS, this Court issued its opinion dated August 8, 1997, in connection with certain motions therein;

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED:

1. The Cuban Asset Control Regulations ("CACR") implemented in 1963 under Section 5(b) of the Trading With The Enemy Act of 1917, as amended, 50 U.S.C. App. 1-44,

prohibit transfers of property, including trademarks, in which a Cuban entity has an interest except when authorized by the Office of Foreign Assets Control ("OFAC") acting on behalf of the Secretary of the Treasury.

2. In 1976, the trademark HAVANA CLUB for "rum" was registered in the United States Patent and Trademark Office ("related U.S. Registration") by Empresa Exportadora de Alimentos y Productos Varios ("Cubaexport"), a Cuban state enterprise.

3. On October 29, 1993, Cubaexport entered into an agreement transferring the U.S. rights to the HAVANA CLUB trademark and the related U.S. Registration to Havana Rum & Liquors, S.A. On or about November 22, 1993, Havana Rum & Liquors, S.A. entered into an agreement transferring the aforesaid mark and the related U.S. Registration to Havana Club Holding, S.A.

4. Those provisions of the original transfer agreement relating to transfers of the U.S. rights to the HAVANA CLUB mark and the related U.S. Registration were rendered null and void by the CACR, § 515.201(b)(1), and the attempted assignment of said HAVANA CLUB mark and the related U.S. Registration were invalid and of no force and effect and void ab initio.

5. As a result, the status quo ante as of the October 29, 1993 date of said abortive original transfer agreement is restored, and Cubaexport retained whatever rights it had in said mark and the related U.S. Registration as of said date, notwithstanding the invalid transfers.

6. Neither Havana Rum & Liquors, S.A., Havana Club Holding, S.A. nor its licensee, Havana Club International, S.A. ever obtained any rights to the HAVANA CLUB mark in the United States by transfer.

7. Plaintiffs Havana Club Holding, S.A. and Havana Club International, S.A. have no rights to the registered trademark HAVANA CLUB for "rum" in the United States.

8. Any rights that Havana Club Holding, S.A. may have had, may have or claims to have had in the Registration of the HAVANA CLUB trademark (U.S. Reg. No. 1,031,651) from forever until today are hereby canceled.

9. Count I for infringement of a federally registered trademark under Section 32 of the Lanham Act is dismissed with prejudice.

10. Nothing herein shall prevent Cubaexport, if it so chooses, from asserting or seeking to enforce rights in the trademark HAVANA CLUB rum in the United States and nothing herein shall prevent the defendants or others from contesting those rights or contending that said rights were lost as a result of acts or omissions by Cubaexport.

11. The Court certifies the instant Order and its Opinion and Order dated August 8, 1997 to the Commissioner of Patents and Trademarks pursuant to Section 37 of the Lanham Act, 15 U.S.C. § 1119.

12. The operation and enforcement of this Judgment, including modification of or entry upon the records of the United States Patent and Trademark Office pursuant to Section 37 of the Lanham Act, 15 U.S.C. § 1119, are stayed pending appeal from the final judgment in this action.

Dated at New York, New York, this 20 day of

October, 1997.

/s/

U.S.D.J.

General Inter-American Convention For Trade Mark and Commercial Protection of 1929 [46 Stat. 2907]

CHAPTER I

EQUITY OF CITIZENS AND ALIENS AS TO TRADE MARK AND COMMERCIAL PROTECTION

Article 1

The Contracting States bind themselves to grant to the nationals of the other Contracting States and to domiciled foreigners who own a manufacturing or commercial establishment or an agricultural development in any of the States which have ratified or adhered to the present Convention the same rights and remedies which their laws extend to their own nationals or domiciled persons with respect to trade marks, trade names, and the repression of unfair competition and false indications of geographical origin or source.

CHAPTER II

TRADE MARK PROTECTION

Article 2

The person who desires to obtain protection for his marks in a country other than his own, in which this Convention is in force, can obtain protection either by applying directly to the proper office of the State in which he desires to obtain protection, or through the Inter-American Trade Mark Bureau referred to in the Protocol on the Inter-American Registration of Trade Marks,

Article 3

Every mark duly registered or legally protected in one of the

Contracting States shall be admitted to registration or deposit and legally protected in the other Contracting States, upon compliance with the formal provisions of the domestic law of such States.

Registration or deposit may be refused or canceled of marks:

1. The distinguishing elements of which infringe rights already acquired by another person in the country where registration or deposit is claimed.

2. Which lack any distinctive character or consist exclusively of words, symbols, or signs which serve in trade to designate the class, kind, quality, quantity, use, value, place of origin of the products, time of production, or which are or have become at the time registration or deposit is sought, generic or usual terms in current language or in the commercial usage of the country where registration or deposit is sought, when the owner of the marks seeks to appropriate them as a distinguishing element of his mark.

In determining the distinctive character of a mark, all the circumstances existing should be taken into account, particularly the duration of the use of the mark and if in fact it has acquired in the country where deposit, registration or protection is sought, a significance distinctive of the applicant's goods.

3. Which offend public morals or which may be contrary to public order.

4. Which tend to expose persons, institutions, beliefs, national symbols or those of associations of public interest, to ridicule or contempt.

5. Which contain representations of racial types or scenes typical or characteristic of any of the Contracting States, other

than that of the origin of the mark.

6. Which have as a principal distinguishing element, phrases, names or slogans which constitute the trade name or an essential or characteristic part thereof, belonging to some person engaged in any of the other Contracting States in the manufacture, trade or production of articles or merchandise of the same class as that to which the mark is applied.

Article 4

The Contracting States agree to refuse to register or to cancel the registration and to prohibit the use, without authorization by competent authority, of marks which include national and state flags and coats-of-arms, national or state seals, designs on public coins and postage stamps, official labels, certificates or guarantees, or any national or state official insignia or simulations of any of the foregoing.

Article 5

Labels, industrial designs, slogans, prints, catalogues or advertisements used to identify or to advertise goods, shall receive the same protection accorded to trade marks in countries where they are considered as such, upon complying with the requirements of the domestic trade mark law.

Article 6

The Contracting States agree to admit to registration or deposit and to protect collective marks and marks of associations, the existence of which is not contrary to the laws of the country of origin, even when such associations do not own a manufacturing, industrial, commercial or agricultural establishment.

Each country shall determine the particular conditions under

which such marks may be protected.
States, Provinces or Municipalities, in their character of corporations, may own, use, register or deposit marks and shall in that sense enjoy the benefits of this Convention.

Article 7

Any owner of a mark protected in one of the Contracting States in accordance with its domestic law, who may know that some other person is using or applying to register or deposit an interfering mark in any other of the Contracting States, shall have the right to oppose such use, registration or deposit and shall have the right to employ all legal means, procedure or recourse provided in the country in which such interfering mark is being used or where its registration or deposit is being sought, and upon proof that the person who is using such mark or applying to register or deposit it, had knowledge of the existence and continuous use in any of the Contracting States of the mark on which opposition is based upon goods of the same class, the opposer may claim for himself the preferential right to use such mark in the country where the opposition is made or priority to register or deposit it in such country, upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

Article 8

When the owner of a mark seeks the registration or deposit of the mark in a Contracting State other than that of origin of the mark and such registration or deposit is refused because of the previous registration or deposit of an interfering mark, he shall have the right to apply for and obtain the cancellation or annulment of the interfering mark upon proving, in accordance with the legal procedure of the country in which cancellation is sought, the stipulations in Paragraph (a) and those of either Paragraph (b) or (c) below:

(a) That he enjoyed legal protection for his mark in another of the Contracting States prior to the date of the application for the registration or deposit which he seeks to cancel; and

(b) that the claimant of the interfering mark, the cancellation of which is sought, had knowledge of the use, employment, registration or deposit in any of the Contracting States of the mark for the specific goods to which said interfering mark is applied, prior to adoption and use thereof or prior to the filing of the application or deposit of the mark which is sought to be canceled; or

(c) that the owner of the mark who seeks cancellation based on a prior right to the ownership and use of such mark, has traded or trades with or in the country in which cancellation is sought, and that goods designated by his mark have circulated and circulate in said country from a date prior to the filing of the application for registration or deposit for the mark, the cancellation which is claimed, or prior to the adoption and use of the same.

Article 9

When the refusal of registration or deposit of a mark is based on a registration previously effected in accordance with this Convention, the owner of the refused mark shall have the right to request and obtain the cancellation of the mark previously registered or deposited, by proving, in accordance with the legal procedure of the country in which he is endeavoring to obtain registration or deposit of his mark, that the registrant of the mark which he desires to cancel, has abandoned it. The period within which a mark may be declared abandoned for lack of use shall be determined by the internal law of each country, and if there is no provision in the internal law, the period shall be two years and one day beginning from the date of registration or deposit if the mark has never been used, or one year and one day if the abandonment or lack of use took place after the mark

has been used.

Article 10

The period of protection granted to marks registered, deposited or renewed under this Convention, shall be the period fixed by the laws of the State in which registration, deposit or renewal is made at the time when made.

Once the registration or deposit of a mark in any Contracting State has been effected, each such registration or deposit shall exist independently of every other and shall not be effected by changes that may occur in the registration or deposit of such mark in the other Contracting States, unless otherwise provided by domestic law.

Article 11

The transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

The use and exploitation of trade marks may be transferred separately for each country, and such transfer shall be recorded upon the production of reliable proof that such transfer has been executed in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

Article 12

Any registration or deposit which has been effected in one of the Contracting States, or any pending application for registration or deposit, made by an agent, representative or customer of the owner of a mark in which a right has been acquired in another Contracting State through its registration, prior application or use, shall give to the original owner the right to demand its cancellation or refusal in accordance with the provisions of this Convention and to request and obtain the protection for himself, it being considered that such protection shall revert to the date of the application of the mark so denied or canceled.

Article 13

The use of a trade mark by its owner in a form different in minor or non-substantial elements from the form in which the mark has been registered in any of the Contracting States, shall not entail forfeiture of the registration or impair the protection of the mark.

In case the form or distinctive elements of the mark are substantially changed, or the list of goods to which it is to be applied is modified or increased, the proprietor of the mark may be required to apply for a new registration, without prejudice to the protection of the original mark or in respect to the original list of goods.

The requirements of the laws of the Contracting States with respect to the legend which indicates the authority for the use of trade marks, shall be deemed fulfilled in respect to goods of foreign origin if such marks carry the words or indications legally used or required to be used in the country of origin of the goods.

CHAPTER III

PROTECTION OF COMMERCIAL NAMES

Article 14

Trade names or commercial names of persons entitled to the benefits of this Convention shall be protected in all the Contracting States. Such protection shall be enjoyed without necessity of deposit or registration, whether or not the name forms part of a trade mark.

Article 15

The names of an individual, surnames and trade names used by manufacturers, industrialists, merchants or agriculturists to denote their trade or calling, as well as the firm's name, the name or title legally adopted and used by associations, corporations, companies or manufacturing, industrial, commercial or agricultural entities, in accordance with the provisions of the respective national laws, shall be understood to be commercial names.

Article 16

The protection which this Convention affords to commercial names shall be:

(a) to prohibit the use or adoption of a commercial name identical with or deceptively similar to one legally adopted and previously used by another engaged in the same business in any of the Contracting States; and

(b) to prohibit the use, registration or filing of a trade mark the distinguishing elements of which consist of the whole or an essential part of a commercial name legally adopted and previously used by another owner domiciled or established in

any of the Contracting States, engaged in the manufacture, sale or production of products or merchandise of the same kind as those for which the trade mark is intended.

Article 17

Any manufacturer, industrialist, merchant or agriculturist domiciled or established in any of the Contracting States, may, in accordance with the law and the legal procedure of such countries, oppose the adoption, use, registration or deposit of a trade mark for products or merchandise of the same class as those sold under his commercial name, when he believes that such trade mark or the inclusion in it of the trade or commercial name or a simulation thereof may lead to error or confusion in the mind of the consumer with respect to such commercial name legally adopted and previously in use.

Article 18

Any manufacturer, industrialist, merchant or agriculturist domiciled or established in any of the Contracting States may, in accordance with the law and procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of any commercial name or the cancellation of the registration or deposit of any trade mark, when such name or mark is intended for use in the manufacture, sale or production of articles or merchandise of the same class, by proving:

(a) that the commercial name or trade mark, the enjoining or cancellation of which is desired, is identical with or deceptively similar to his commercial name already legally adopted and previously used in any of the Contracting States, in the manufacture, sale or production of articles of the same class, and

(b) that prior to the adoption and use of the commercial name,

or to the adoption and use or application for registration or deposit of the trade mark, the cancellation of which is sought, or the use of which is sought to be enjoined, he used and continues to use for the manufacture, sale or production of the same products or merchandise his commercial name adopted and previously used in any of the Contracting States or in the State in which cancellation or injunction is sought.

Article 19

The protection of commercial names shall be given in accordance with the internal legislation and by the terms of this Convention, and in all cases where the internal legislation permits, by the competent governmental or administrative authorities whenever they have knowledge or reliable proof of their legal existence and use, or otherwise upon the motion of any interested party.

CHAPTER IV

REPRESSION OF UNFAIR COMPETITION

Article 20

Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and, therefore, unjust and prohibited.

Article 21

The following are declared to be acts of unfair competition and unless otherwise effectively dealt with under the domestic laws of the Contracting States shall be repressed under the provisions of this Convention:

(a) Acts calculated directly or indirectly to represent that the

goods or business of a manufacturer, industrialist, merchant or agriculturist are the goods or business of another manufacturer, industrialist, merchant or agriculturist of any of the other Contracting States, whether such representation be made by the appropriation or simulation of trade marks, symbols, distinctive names, the imitation of labels, wrappers, containers, commercial names, or other means of identification;

(b) The use of false descriptions of goods, by words, symbols or other means tending to deceive the public in the country where the acts occur, with respect to the nature, quality, or utility of the goods;

(c) The use of false indications of geographical origin or source of goods, by words, symbols, or other means which tend in that respect to deceive the public in the country in which these acts occur;

(d) To sell, or offer for sale to the public an article, product or merchandise of such form or appearance that even though it does not bear directly or indirectly an indication of origin or source, gives or produces, either by pictures, ornaments, or language employed in the text, the impression of being a product, article or commodity originating, manufactured or produced in one of the other Contracting States;

(e) Any other act or deed contrary to good faith in industrial, commercial or agricultural matters which, because of its nature or purpose, may be considered analogous or similar to those above mentioned.

Article 22

The Contracting States which may not yet have enacted legislation repressing the acts of unfair competition mentioned in this chapter, shall apply to such acts the penalties contained in their legislation on trade marks or in any other statutes, and

shall grant relief by way of injunction against the continuance of said acts at the request of any party injured; those causing such injury shall also be answerable in damages to the injured party.

CHAPTER V

REPRESSION OF FALSE INDICATIONS OF GEOGRAPHICAL ORIGIN OR SOURCE

Article 23

Every indication of geographical origin or source which does not actually correspond to the place in which the article, product or merchandise was fabricated, manufactured, produced or harvested, shall be considered fraudulent and illegal, and therefore prohibited.

Article 24

For the purposes of this Convention the place of geographical origin or source shall be considered as indicated when the geographical name of a definite locality, region, country or nation, either expressly and directly, or indirectly, appears on any trade mark, label, cover, packing or wrapping, of any article, product or merchandise, directly or indirectly thereon, provided that said geographical name serves as a basis for or is the dominant element of the sentences, words or expressions used.

Article 25

Geographical names indicating geographical origin or source are not susceptible of individual appropriation, and may be freely used to indicate the origin or source of the products or merchandise or his commercial domicile, by any manufacturer, industrialist, merchant or agriculturist established in the place

indicated or dealing in the products there originating.

Article 26

The indication of the place of geographical origin or source, affixed to or stamped upon the product or merchandise, must correspond exactly to the place in which the product or merchandise has been fabricated, manufactured or harvested.

Article 27

Names, phrases or words, constituting in whole or in part geographical terms which through constant, general and reputable use in commerce have come to form the name or designation itself of the article, product or merchandise to which they are applied, are exempt from the provisions of the preceding articles; this exception, however, does not include regional indications of origin of industrial or agricultural products the quality and reputation of which to the consuming public depend on the place of production or origin.

Article 28

In the absence of any special remedies insuring the repression of false indications of geographical origin or source, remedies provided by the domestic sanitary laws, laws dealing with misbranding and the laws relating to trade marks or trade names, shall be applicable in the Contracting States.

CHAPTER VI

REMEDIES

Article 29

The manufacture, exportation, importation, distribution, or sale is forbidden of articles or products which directly or indirectly

infringe any of the provisions of this Convention with respect to trade mark protection; protection and safeguard of commercial names; repression of unfair competition; and repression of false indications of geographical origin or source.

Article 30

Any act prohibited by this Convention will be repressed by the competent administrative or judicial authorities of the government of the state in which the offense was committed, by the legal methods and procedure existing in said country, either by official action, or at the request of interested parties, who may avail themselves of the rights and remedies afforded by the laws to secure indemnification for the damage and loss suffered; the articles, products or merchandise or their marks, which are the instrumentality of the acts of unfair competition, shall be liable to seizure or destruction, or the offending markings obliterated, as the case may be.

Article 31

Any manufacturer, industrialist, merchant or agriculturist, interested in the production, manufacture, or trade in the merchandise or articles affected by any prohibited act or deed, as well as his agents or representatives in any of the Contracting States and the consular officers of the state to which the locality or region falsely indicated as the place to which belongs the geographical origin or source, shall have sufficient legal authority to take and prosecute the necessary actions and proceedings before the administrative authorities and the courts of the Contracting States.

The same authority shall be enjoyed by official commissions or institutions and by syndicates or associations which represent the interests of industry, agriculture or commerce and which have been legally established for the defense of honest and fair trade methods.

CHAPTER VII

GENERAL PROVISIONS

Article 32

The administrative authorities and the courts shall have sole jurisdiction over administrative proceedings and administrative judgments, civil or criminal, arising in matters relating to the application of the national law.
Any differences which may arise with respect to the interpretation or application of the principles of this Convention shall be settled by the Courts of justice of each State, and only in case of the denial of justice shall they be submitted to arbitration.

Article 33

Each of the Contracting States, in which it does not yet exist, hereby agrees to establish a protective service, for the suppression of unfair competition and false indication of geographic origin or source, and to publish for opposition in the official publication of the government, or in some other periodical, the trade marks solicited and granted as well as the administrative decisions made in the matter.

Article 34

The present Convention shall be subject to periodic revision with the object of introducing therein such improvements as experience may indicate, taking advantage of any international conferences held by the American States, to which each country shall send a delegation in which it is recommended that there be included experts in the subject of trade marks, in order that effective results may be achieved.

The national administration of the country in which such conferences are held shall prepare, with the assistance of the Pan American Union and the Inter-American Trade Mark Bureau, the work of the respective conference.

The Director of the Inter-American Trade Mark Bureau may attend the sessions of such conferences and may take part in the discussions, but shall have no vote.

Article 35

The provisions of this Convention shall have the force of law in those States in which international treaties possess that character, as soon as they are ratified by their constitutional organs.

The Contracting States in which the fulfillment of international agreements is dependent upon the enactment of appropriate laws, on accepting in principle this Convention, agree to request of their legislative bodies the enactment of the necessary legislation in the shortest possible period of time and in accordance with their constitutional provisions.

Article 36

The Contracting States agree that, as soon as this Convention becomes effective, the Trade Mark Conventions of 1910 and 1923 shall automatically cease to have effect; but any rights which have been acquired, or which may be acquired thereunder, up to the time of the coming into effect of this Convention, shall continue to be valid until their due expiration.

Article 37

The present Convention shall be ratified by the Contracting States in conformity with their respective constitutional procedures.

The original Convention and the instruments of ratification shall be deposited with the Pan American Union which shall transmit certified copies of the former and shall communicate notice of such ratifications to the other signatory Governments, and the Convention shall enter into effect for the Contracting States in the order that they deposit their ratifications.

This Convention shall remain in force indefinitely, but it may be denounced by means of notice given one year in advance, at the expiration of which it shall cease to be in force as regards the Party denouncing the same, but shall remain in force as regards the other States. All denunciations shall be sent to the Pan American Union which will thereupon transmit notice thereof to the other Contracting States.

The American States which have not subscribed to this Convention may adhere thereto by sending the respective official instrument to the Pan American Union which, in turn, will notify the governments of the remaining Contracting States in the manner previously indicated.

In witness whereof the above named delegates have signed this Convention in English, Spanish, Portuguese and French, and thereto have affixed their respective seals.

Done in the City of Washington, on the twentieth day of February in the year one thousand nine hundred and twenty-nine.

For Peru: A. GONZLEZ PRADA
For Bolivia: EMETERIO CANO DE LA VEGA
For Paraguay: JUAN VICENTE RAMREZ
For Ecuador: GONZALO ZALDUMBIDE
For Uruguay: VARELA
For the Dominican Republic: FRANCISCO DE MOYA
For Chile: OSCAR BLANCO VIEL I hereby subscribe to this Convention insofar as its provisions are not contrary to the

national legislation of my country, with express reservations concerning the provisions of this Convention on which there is no legislation in Chile translation.
For Panama: R. J. ALFARO, JUAN B. CHEVALIER
For Venezuela: P. R. RINCONES
For Costa Rica: MANUEL CASTRO QUESADA, F. E. PIZA
For Cuba: GUSTAVO GUTIRREZ, A. L. BUFILL
For Guatemala: ADRIN RECINOS, RAMIRO FERNNDEZ
For Haiti: RAOUL LIZAIRE
For Colombia: PABLO GARCA DE LA PARRA
For Brazil: CARLOS DELGADO DE CARVALHO
For Mexico: F. SUSTEGUI
For Nicaragua: VICENTE VITA
For Honduras: CARLOS IZAGUIRRE V.
For the United States: EDWARD S. ROGERS, THOMAS E. ROBERTSON, FRANCIS WHITE

Lanham Act, §43(a) [15 U.S.C. §1125(a)]

False designations of origin and false descriptions forbidden.

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which --

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes and State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the

burden of proving that the matter sought to be protected is not functional.

Lanham Act, §44 [15 U.S.C. §1126]

International conventions

(a) Register of marks communicated by international bureaus. The Director shall keep a register of all marks communicated to him by the international bureaus provided for by the conventions for the protection of industrial property, trademarks, trade and commercial names, and the repression of unfair competition to which the United States is or may become a party, and upon the payment of the fees required by such conventions and the fees required in this Act may place the marks so communicated upon such register. This register shall show a facsimile of the mark or trade or commercial name; the name, citizenship, and address of the registrant; the number, date, and place of the first registration of the mark, including the dates on which application for such registration was filed and granted and the term of such registration; a list of goods or services to which the mark is applied as shown by the registration in the country of origin, and such other data as may be useful concerning the mark. This register shall be a continuation of the register provided in section 1(a) of the Act of March 19, 1920.

(b) Benefits of section to persons whose country of origin is party to convention or treaty. Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal

law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act.

(c) Prior registration in country of origin; country of origin defined. No registration of a mark in the United States by a person described in subsection (b) of this section shall be granted until such mark has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce. For the purposes of this section, the country of origin of the applicant is the country in which he has a bona fide and effective industrial or commercial establishment, or if he has not such an establishment the country in which he is domiciled, or if he has not a domicile in any of the countries described in subsection (b) of this section, the country of which he is a national.

(d) Right of priority. An application for registration of a mark under sections 1051, 1053, 1054, or 1091 of this Act, or subsection (e) of this section, filed by a person described in subsection (b) of this section who has previously duly filed an application for registration of the same mark in one of the countries described in subsection (b) of this section shall be accorded the same force and effect as would be accorded to the same application if filed in the United States on the same date on which the application was first filed in such foreign country: Provided, that --

(1) the application in the United States is filed within six months from the date on which the application was first filed in the foreign country;

(2) the application conforms as nearly as practicable to the requirements of this Act, including a statement that the applicant has a bona fide intention to use the mark in commerce;

(3) the rights acquired by third parties before the

date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this subsection;

(4) nothing in this subsection shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark was registered in this country unless the registration is based on use in commerce.

In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequent regularly filed application in the same foreign country, instead of the first filed foreign application: Provided, that any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without having been laid open to public inspection and without leaving any rights outstanding, and has not served, nor thereafter shall serve, as a basis for claiming a right of priority.

(e) Registration on principal or supplemental register; copy of foreign registration. A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise on the supplemental register herein provided. Such applicant shall submit, within such time period as may be prescribed by the Commissioner, a certification or a certified copy of the registration in the country of origin of the applicant. The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.

(f) Domestic registration independent of foreign registration. The registration of a mark under the provisions of subsections (c), (d) and (e) of this section by a person described in subsection (b) of this section shall be independent of the registration in the country of origin and the duration, validity,

or transfer in the United States of such registration shall be governed by the provisions of this Act.

(g) Trade or commercial names of foreign nationals protected without registration. Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

(h) Protection of foreign nationals against unfair competition. Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

(i) Citizens or residents of the United States entitled to benefits of section. Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section.

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, §211

[Pub. L. No. 105-277, 112 Stat. 2681 (1998)]

(a) (1) Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(2) No U.S. court shall recognize, enforce or otherwise validate any assertion of rights by a designated national based on common law rights or registration obtained under such section 515.527 of such a confiscated mark, trade name, or commercial name.

(b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.

(d) In this section:

(1) The term "designated national" has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is successor-in-interest to a designated national.

(2) The term "confiscated" has the meaning given such term in section 515.336 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.

Trading With the Enemy Act of 1917, §10(g)

[50 U.S.C.A. App. § 10(g)]

(g) Any enemy, or ally of enemy, may institute and prosecute suits in equity against any person other than a licensee under this Act to enjoin infringement of letters- patent, trade-mark print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner and to the extent that he would be entitled so to do if the United States was not at war: Provided, that no final judgment or decree shall be entered in favor of such enemy or ally of enemy by any court except after thirty days' notice to the Alien Property Custodian. Such notice shall be in writing and shall be served in the same manner as civil process of Federal courts.

Cuban Assets Control Regulation, §515.527 (1998)

[31 C.F.R. 515.527(a) (1998)]

515.527 Certain transactions with respect to United States intellectual property.

(a) Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest are authorized.

(b) This section authorizes the payment from blocked accounts or otherwise of fees currently due to the United States Government in connection with any transaction authorized in paragraph (a) of this section.

(c) This section further authorizes the payment from blocked accounts or otherwise of the reasonable and customary fees and charges currently due to attorneys or representatives within the United States in connection with the transactions authorized in paragraph (a) of this section.

PLAINTIFF'S EXHIBIT 117

PLAINTIFFS' EXHIBIT Piedra 43; 7-24-98 G

PROJECT "Habana Clasico"

- Strategic Intent
  - Preempt and outposition Havana Club.
  - Develop and own a Cuban Heritage super premium aged rum segment.
- Rationale
- Situation analysis:
  - Super premium dark rum segment virtually non-existent in the U.S.
  - However, current sufficient interest in Cuban rum will be significantly triggered when the embargo is lifted through tremendous media exposure and free trade and travel to Cuba.
- This creates an unprecedented opportunity (product story and emotional story) to round up an appealing consumer proposition, currently lacking in traditional super premium rums.
- We can preempt and outposition Havana Club Cuban rum before the embargo is lifted by being first in the consumers mind and with a superior proposition.

HABANA CLASICO

I. PROJECT BACKGROUND

1. U.S. Market Situation Analysis

A. Super Premium Rum Segment

- Virtually non-existent (below 50 M Cs or 0.5% share)
- Bacardi Reserve and Anejo total 30 m Cs
- not well defined consumer perceptions for the category
- Aging, on its own merit, is currently not important

B. Cuba

- The U.S. Consumer has not been exposed to Cuban products and travel for almost 35 years due to the embargo
- Recent Awareness and Attitude research on Cuban Rum (Jan `95), indicated
  - Significant association of rum with Cuba (27% among rum drinkers), despite the embargo
  - Overall positive attitude and purchase interest for Cuban Rum in general and Havana Club in particular (concept for Havana Club was shown)
  - Higher acceptance among:
    - those aware of Cuba as an origin for rum
    - heavy rum users
    - males over 30 yrs.
    - Hispanics (however, General Mkt. was significantly open to concept)
  - When the embargo is lifted, we expect a significant increase in interest in Cuban rum due to:
    - likely tremendous media exposure to Cuban history and products
    - interest in vacationing in Cuba
      - already high (35%)
      - historically considered the "Pearl of the Caribbean"
      - inexpensive and only 90 miles away
    - free trade and travel have proven to be key in establishing

Havana Club as a viable premium competitor in Spain
- expected aggressive marketing by Pernod-Ricard

2. The Opportunity

Although a super premium rum segment is virtually non-existent in the U.S. the mentioned Cuban rum research indicates potential interest that may dramatically increase and broaden when the embargo is lifted.

This represents a business opportunity for a Bacardi product that even goes beyond the competitive preemption of Havana Club:

- BACARDI's Cuban heritage, althugh largely unknown, is believable and appealing
- A Cuban perception is very positive in terms of romantic image associations and high quality/ craftsmanship. Aging becomes more relevant in this context.
- The BACARDI trademarik is synonymous with high quality/premium rum

3. Project Scope

The Habana Clasico project is just one strategic course of action to address the Cuban rum opportunity/threat. Habana Clasico focuses on preempting Havana Club and alos on assessing the potential to develop and own a viable Cuban heritage super premium rum segment in the U.S.

For perspective, other related courses of action not covered in this document are:

- file an "intent to register" Havana Club trademark and use when approved. Protest Pernon-Ricard filing
- devleop grass-roots PR/focused media strategy for a subtle tie-in of BACARDI trademark with its Cuban heritage among opinion leaders
- any other actions to be taken if the Embargo is lifted

aimed at creating BACARDI presence in Cuba

4. Strategic Intent

To develop and own a viable Cuban origin/heritage super/premium rum segment in the U.S. and pre-empt a competitive entry.

5. Development Strategy

- Pre-empt Havana Club from owning the Havana name/Cuban image in the U.S.
- Develop a stronger proposition by out-performing Havana Club on all variables (e.g. name, package, positioning, product)
- Lead with Super premium aged product to enhance the trademark image

6. Development Variables:

A. Name:

- Objectives: Develop a name that:
  - pre-empts Havana Club
  - communicates Cuban heritage
  - is more premium and authentic than Havana Club
  - explicitly ties into a stronger positioning

- Strategy
  - Use "Haban Clasico" by BACARDI and "BACARDI Habana"
  - A non-BACADI related product is not an option if we want to protect our trademark. We cannot afford to be absent from a super premium segment development

B. Product

- Objectives:
  - Legitimize quality and premium image
  - Out perform Havana Club 7 yr. old
  - Good straight or on the rocks

- Strategy:
  - Use 8 yr old rum
  - Source out of any origin that allows to
  - get an aging certificate
  - claim imported on the label
  - Origin mention: pursue BATF approval (in the first stage of the product life that may evolve in the light of events affecting Cuba) of a "Caribbean rum" mention

C. Packaging:

- Objective:
  - establish stronger links with Cuban heritage
  - communicate "the Classic Cuban Rum"
  - support quality/premium image

- Strategy:
  - Utilize old-looking and romantic design
  - use visual that communicate Cuban heritage
  - utilize Hispanic copy through-out package
  - emphasize claims that create legitimate and superior link to Cuban rum tradition and quality: formula original, 8 anos

D. Positioning:

- Objectives
  - Outperform Havana Club's "Authentic Cuban rum" positioning
- Strategy
  - Pursue the "Classic Cuban rum positioning

E. Pricing:

- Objective:
  - Create strong quality image
  - still maintain accessibility and potential broader appeal
- Strategy:
  - Price at broad appeal super premium price point: $14.99 to $16.99

F. Target:

- General Market, although Hispanics will be an almost secured user base at early stages
- Rum Drinkers
- Skewing heavy users
- Male 30+

G. Anticipated Introductory Strategy

Before the embargo is lifted, we anticipate introduction to be:

- national in Ky and A accounts, but with heavyu-up markets in metro areas and high rim BDI
- grass-roots, niche/image marketing oriented
- limited, focusd investment through reinvestment of whole margin (approx. $2MM)
- replacing BARCARDI Reserve so as to limit the SKU's and focus efforts
- timing: Sept `96

Once the embargo is lifted, our strategy would probably change wth higher investments and broader media in the light of interest elicited by news on Cuba

II. PROJECT UPDATE

A. In October '95 we fielded qualitative research.
Please see attachments:

- I. "Habana Clasico by BARCRDI" Concept
- II. "BACARDI Habana: Concept
- III. "Havana Club" Concept
- IV. Habana Clasico (and adaption for BACARDI Habana was also shown) packaging

CONFIDENTIAL ATTORNEYS EYES ONLY BAC 0003022

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, DC 20543-0001

WILLIAM K. SUTER
CLERK OF THE COURT

AREA CODE 202
479-3011

April 19, 2000

Mr. Charles S. Sims
Proskauer Rose, LLP
1585 Broadway
New York, NY 10036

Re: Havana Club Holding, S. A., et al.
v. Galleon, S. A., et al.
Application No. 99A862

Dear Mr. Sims:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to Justice Ginsburg, who on April 19, 2000, extended the time to and including June 1, 2000.

This letter has been sent to those designated on the attached notification list.

Sincerely,

WILLIAM K. SUTER, Clerk

By

/s/
Ruth Jones
Assistant Clerk

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, DC 20543-0001

WILLIAM K. SUTER
CLERK OF THE COURT

AREA CODE 202
479-3011

NOTIFICATION LIST

Mr. Charles S. Sims
Proskauer Rose, LLP
1585 Broadway
New York, NY 10036

Mr. William R. Golden Jr.
Kelley Drye & Warren
101 Park Avenue
New York, NY 10178

Clerk
United States Court of Appeals for
the Second Circuit
1702 US Courthouse, Foley Sq.
New York, NY 10007

Supreme Court, U.S.
FILED
JUN 07 2000
CLERK

No. 99-1957

IN THE

Supreme Court of the United States

HAVANA CLUB HOLDING, S.A. and
HAVANA CLUB INTERNATIONAL, S.A.,

Petitioners,

v.

BACARDI & COMPANY LIMITED and
BACARDI-MARTINI USA, INC., *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

PAUL F. DOYLE
WILLIAM R. GOLDEN, JR.
Counsel of Record
MARGARET E. FERGUSON
MICHELLE M. GRAHAM
KELLEY DRYE & WARREN LLP
Attorneys for Respondents
101 Park Avenue
New York, New York 10178
(212) 808-7800

160810

Counsel Press LLC
(800) 274-3321 • (800) 359-6859

RESTATEMENT OF QUESTIONS PRESENTED FOR REVIEW

1. Whether the United States Court of Appeals for the Second Circuit ("Court of Appeals") erred in affirming the summary dismissal of the trademark infringement claim of petitioner Havana Club Holding, S.A. ("HCH") on the ground that HCH, the purported assignee of the U.S. HAVANA CLUB trademark registration, had never acquired any interest whatsoever in that mark, where:

(a) It was undisputed that the U.S. HAVANA CLUB trademark registration was a U.S.-based asset held since 1976 in the name of Cubaexport, a Cuban governmental entity, which was subject to the provisions of the Cuban Assets Control Regulations ("CACR"), implementing the embargo on trade with Cuba that prohibit and render null and void any dealings in assets owned by Cuban nationals in the United States without the approval of the Office of Foreign Assets Control ("OFAC"); and

(b) It was established that petitioners had applied for a specific OFAC license approving the purported 1994 assignments of that mark to HCH and that OFAC had subsequently revoked that license and declared that all actions taken under the license (i.e., the trademark assignments) were a nullity; and

(c) The Court of Appeals held: (i) that the CACR general intellectual property license provision, 31 C.F.R. § 515.527(a)(1) — which HCH argued authorized the 1994 HAVANA CLUB trademark assignments — had no application to those assignments since

this provision was not retroactive and was not issued until 1995, a year after the assignments had been "effected" (10a-11a)[1]; and (ii) that in any event, the unmistakable intent of Congress, as manifested in the CACR and their empowering legislation, was to prohibit transactions that led to the flow of hard currency into Cuba, and this clear congressional purpose superseded any possible conflicting interpretation urged under the General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"), 46 Stat. 2907 (1929) (14a).

2. Whether the Court of Appeals erred in affirming the dismissal of petitioners' federal false advertising claim under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), for lack of standing, where:

(a) It had previously been determined that petitioners had no rights whatsoever in either the trademark or the trade name HAVANA CLUB in the United States (38a); and

(b) The facts adduced at trial showed that petitioners had never sold rum in the United States and had suffered no real or probable commercial injury attributable to the alleged tortious conduct of Bacardi.

3. Whether the Court of Appeals erred in affirming the dismissal pursuant to section 211 of the Omnibus Consolidated and Emergency Supplemental Appropriations

---

1. Citation to Appendix to Petition for a Writ of Certiorari.

Act of 1999, Pub. L. No. 105-277, 112 Stat. 2681 (1998) ("section 211"), of petitioners' trade name infringement claim under the IAC and Lanham Act, where:

(a) HCH had been found to have no standing, as a Luxembourg national, to assert claims under the IAC; and

(b) The unambiguous language of section 211(b) precluded HCI, a designated Cuban national, from asserting rights in a trade name that was used in connection with the rum business of Jose Arechabala, S.A. ("JASA") which had been confiscated by the Castro regime since JASA, the rightful owner of those trade name rights, had concededly not consented to HCI's use; and

(c) The District Court found that application of section 211 would not upset any settled expectations of HCI because HCI had no sales or reputation in the United States (52a); and

(d) HCI sought no monetary damages, but only injunctive relief, which operates *in futuro*, so under the precedent of this Court dating back more than a century and confirmed in *Landgraf v. USI Film Products*, 511 U.S. 244 (1994), application of section 211 had no impermissible retroactive effect.

RULE 29.6 STATEMENT

Respondents, Bacardi & Company Limited, a privately held corporation organized under the laws of Liechtenstein, and Bacardi-Martini U.S.A., Inc., a privately held Delaware corporation, are wholly-owned subsidiaries, directly or indirectly, of Bacardi Limited, a privately held company organized under the laws of Bermuda. No publicly held company owns 10% or more of the stock of either respondent.

TABLE OF CONTENTS

	Page
Restatement of Questions Presented for Review ..	i
Rule 29.6 Statement	iv
Table of Contents	v
Table of Cited Authorities	vii
Statement of Jurisdiction	1
Statement of the Case	2
A. Statement Of Facts	3
1. The Confiscation Of The HAVANA CLUB Brand	3
2. The Pernod/Castro Joint Venture	4
3. Petitioners HCH And HCI	4
4. Efforts To Buy Rights To The HAVANA CLUB Trademark From The Arechabala Family By Pernod And Other Liquor Giants	5
B. Proceedings Below	6
Trademark Infringement Claim	6
Trade Name Infringement And Federal False Advertising Claims	8

Contents

	Page
Introduction to Argument	10
Reasons for Denying the Writ	13
I. The Decision Below Follows This Court's Direction That A Clear Expression By Congress As To When A Subsequent Statute Governs Must Be Heeded	13
II. The Decision That Petitioners Had No Standing To Pursue A Section 43(a) False Designation Of Origin Claim Accords With Long Standing Lanham Act Precedent And Fails To Conflict With Any Treaty Rights Of Petitioners	18
III. The Second Circuit Did Not Apply Section 211 Retroactively	23
Conclusion	24

TABLE OF CITED AUTHORITIES

Page

Cases:

Amer. Council of Certified Podiatric Physicians & Surgeons v. Amer. Bd. of Podiatric Surgery, Inc., 185 F.3d 606 (6th Cir. 1999) 21

Baglin v. Cusenier Co., 221 U.S. 580 (1911) 17

Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) 20, 21

Colligan v. Activities Club of New York, 442 F.2d 686 (2d Cir. 1971) 21

Compania Ron Bacardi, S.A. v. Bank of Nova Scotia, 193 F. Supp. 814 (S.D.N.Y. 1961) 17

Cook v. United States, 288 U.S. 102 (1933) 16

Landgraf v. USI Film Products, 511 U.S. 244 (1994) ..... iii, 23

Miranda v. Secretary of the Treasury, 766 F.2d 1 (1st Cir. 1985) 15, 16

PDK Labs, Inc. v. Friedlander, 103 F.3d 1105 (2d Cir. 1997) 10

Pennsylvania v. Wheeling & Belmont Bridge Co., 59 U.S. (18 How.) 421 (1855) 24

Cited Authorities

	Page
Regan v. Wald, 468 U.S. 222 (1984)	11
Republic of Iraq v. First Nat'l City Bank, 241 F. Supp. 567 (S.D.N.Y. 1965), *aff'd*, 353 F.2d 47 (2d Cir. 1965), *cert. denied*, 382 U.S. 1027 (1966)	17
Rice v. Sioux City Mem'l. Park Cemetery, 349 U.S. 70 (1955)	1
Richardson v. Simon, 560 F.2d 500 (2d Cir. 1977), *appeal dismissed*, 435 U.S. 939 (1978)	12
Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134 (9th Cir. 1997)	21
United States v. Ron Pair Enters., Inc., 489 U.S. 235 (1989)	18
Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956)	9
Warth v. Seldin, 422 U.S. 490 (1975)	20
West Virginia University Hospitals, Inc. v. Casey, 499 U.S. 83 (1991)	15
Whitney v. Robertson, 124 U.S. 190 (1888)	14
Witters v. Washington Dep't of Servs. for the Blind, 474 U.S. 481 (1986)	12

Cited Authorities

Page

Treaties, Statutes and Regulations:

15 U.S.C. § 1052(a) *et seq.* 22

15 U.S.C. § 1125(a) (Lanham Act § 43(a)) ..... *passim*

15 U.S.C. § 1126 (Lanham Act § 44) ..... *passim*

15 U.S.C. § 1127 18

22 U.S.C. § 6022 12

27 C.F.R. § 5.34(a) 22

31 C.F.R. § 515.201(b) 11

31 C.F.R. § 515.201(c) 11

31 C.F.R. § 515.203(a) 11

31 C.F.R. § 515.502(a) 7

31 C.F.R. § 515.527(a)(1) ..... i, 7, 8, 15

General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"), 46 Stat. 2907 (1929) ..... *passim*

Helms-Burton Act ("LIBERTAD"), Pub. L. No. 104-114, 110 Stat. 785 (1996) ..... *passim*

Cited Authorities

Page

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, 112 Stat. 2681 (1998) ..... *passim*

Trading with the Enemy Act of 1917 ("TWEA"), 50 U.S.C. App. 1, *et seq.* ..... *passim*

Rule:

Sup. Ct. R. 10 1

Other Authorities:

Statement of Administrative Authority, Cong. Rec. Vol. 140 (1994), U.S.C.C.A.N., 103d Cong. 2d Sess. 1994 22

Protection of Corporate Names: A Country by Country Survey App-3 (International Trademark Association 1999) at CA-5, ME-8, FR-6 and SP-8 25

STATEMENT OF JURISDICTION

This petition concerns the affirmance by the United States Court of Appeals for the Second Circuit (Winter, Chief Judge, Newman and Sotomayor, Circuit Judges) of Orders of the United States District Court for the Southern District of New York (Scheindlin, District Judge), which granted respondents a partial summary judgment, dismissing petitioner HCH's trademark infringement claim and which, after trial, dismissed petitioners' remaining claims for trade name infringement and federal false advertising.

Petitioners fail to present any compelling reason why the Court of Appeals' decision should be reversed or modified. *See* Sup. Ct. R. 10. The decision below does not raise any substantive federal issue which would elevate that decision "beyond the academic or the episodic." *Rice v. Sioux City Mem'l. Park Cemetery*, 349 U.S. 70, 74 (1955). There is no genuine conflict among the courts of appeals or between federal and state courts. The issues of substantive law alluded to in the petition — the application of federal legislation to pending cases and the relationship between treaties and subsequently enacted federal statutes — have been exhaustively treated by this Court. And the Court of Appeals, in its decision below, adhered faithfully to that case law.

Finally, the specter of adverse consequences to foreign relations or threats to American intellectual property rights abroad raised by petitioners is chimerical. In the petition, the respective claims of HCH for trademark infringement and of HCI for trade name infringement are conflated, and the different elements of substantive law governing each claim are deliberately obscured in order to create the false impression that this case presents novel legal questions with international

ramifications that ought to be resolved by this Court. The truth is that the case below was lost, not on far reaching international law issues, but on humdrum, everyday points such as standing and statutory interpretation. Adequate grounds do not exist which would justify the exercise of this Court's discretionary jurisdiction over this case.

STATEMENT OF THE CASE

Petitioners' Statement and prefatory arguments contain an extraordinary exposition of what petitioners, as opposed to Congress and the Executive Branch, believe the relationship should be between the Cuban embargo and earlier trademark conventions ratified by the United States (Br. at 3-5, 12-14). That exposition is rife with extrarecord materials and misstatements of fact, as discussed separately below. Petitioners' statement of the case omits material facts, treats materials outside the record as facts, and includes numerous misstatements of fact.[2] No cogent account of what transpired below is provided. Omitted entirely from the description of the proceedings below are two crucial holdings: (i) that HCH, a Luxembourg corporation, cannot assert rights under the IAC (7a), and (ii) that the CACR general license provision (which HCH argues

2. One egregious example of petitioners' lack of fidelity to the findings below is the repeated, unqualified assertions that the original owner of the HAVANA CLUB mark, JASA, "had abandoned all rights in the 'Havana Club' trademark worldwide" (Br. at 7, 14, 16, 27). Petitioners moved the District Court to amend its original decision, ostensibly to avoid the possibility that the decision would be misread as finding no abandonment. Accordingly, the District Court's Amended Order made it clear that the "Court had no reason to decide — and did not decide — whether or not the Arechabalas owned a valid trademark in the Havana Club name at the time [of the Bacardi Agreement]" (A720 of the Joint Appendix). Under these circumstances, petitioners' flat assertion that the mark was abandoned is, at best, reckless.

authorized the 1994 HAVANA CLUB trademark assignments) did not do so, because that provision, which issued in 1995, was prospective in effect (10a-11a).

Set out below is a chronological statement of the salient facts and an accurate description of the proceedings below.

A. Statement Of Facts

1. The Confiscation Of The HAVANA CLUB Brand

HAVANA CLUB rum was first made in Cuba with a secret family formula by Jose Arechabala, S.A. ("JASA"), a family-owned corporation (41a). From the 1930's until 1960, JASA exported HAVANA CLUB rum to the United States (*id.*). JASA thus owned all rights to the trade name and trademark HAVANA CLUB for rum in Cuba, the United States, and elsewhere. In 1960, the Cuban assets of JASA's "Havana Club" rum business were taken at gunpoint by armed forces of the Castro government (41a). No compensation was ever paid to JASA or its shareholders, who were forced to flee Cuba for a life in exile (42a).

After the confiscation, Cubaexport, a Cuban state foreign trade enterprise, took over JASA's former "Havana Club" rum business, exporting its version of HAVANA CLUB rum, mainly to Soviet Bloc countries (42a). In 1963, the United States imposed an embargo prohibiting trade with Cuba and imposing a total freeze on Cuban assets, both public and private, located in the United States (40a). No Cuban rum has been exported and sold here since the embargo started.

Cubaexport registered the HAVANA CLUB trademark with Cuban authorities in 1974 and in 1976 obtained a U.S. registration of the HAVANA CLUB trademark based on its earlier Cuban registration (4a).

2. The Pernod/Castro Joint Venture

After the Soviet Union's collapse, the Castro government, desperate for hard currency, sought foreign investment partners. In November 1993, Pernod Ricard, S.A. ("Pernod"), a French liquor conglomerate, entered into a joint venture agreement (the "Convenio") with Havana Rum & Liquors ("HRL"), a Cuban governmental entity, to exploit internationally the "Havana Club" rum business previously expropriated from JASA (42a-43a). Petitioners were established to implement the Convenio.

3. Petitioners HCH And HCI

HCH is a Luxembourg corporation, whose sole purpose is to hold title to whatever rights the Castro government could convey to the HAVANA CLUB trademark worldwide (38a). HCH has no offices or commercial establishment in Cuba. HCI is a Cuban joint stock company domiciled in Cuba (*id.*). HCI distributes and sells the HAVANA CLUB rum produced for the Pernod/Castro joint venture.[3] HCH and HCI are each 50% owned, directly or indirectly, by Pernod and the Castro government (*id.*).

In accordance with the terms of the Convenio, Cubaexport's U.S. HAVANA CLUB trademark registration was the subject of successive assignment agreements, dated 10 January 1994 and 22 June 1994, respectively, which purported to transfer title, first from Cubaexport to HRL and then from HRL to petitioner HCH (4a).

---

3. Rum produced in Panama was sold by HCI under the HAVANA CLUB trademark.

4. Efforts To Buy Rights To The HAVANA CLUB Trademark From The Arechabala Family By Pernod And Other Liquor Giants

Pernod knew, before entering the Convenio, that the "Havana Club" rum business in which Pernod was investing had been expropriated from JASA by its joint venture partner, the Castro government. In 1993, near the time when the Convenio was concluded, Pernod instructed Emilio Cuatrecasas, its Spanish legal adviser, to try to secure the worldwide rights of JASA's shareholders to the HAVANA CLUB trademark (43a). Pernod was worried about litigation with the Arechabalas, who had put Pernod's chairman on written notice of their rights. Mr. Thierry Jacquillat, Pernod's President and a director of HCH, was especially concerned about an Arechabala suit in Cuba after democracy was restored (E538 of the Joint Appendix). However, Pernod's efforts to strike a deal failed (43a).[4]

Other major international liquor companies also approached the Arechabala family for the same purpose (43a). The Arechabalas eventually found a partner willing to purchase the HAVANA CLUB trademark for a fair price in Bacardi (*id.*). An agreement in principle as to that sale was reached by 1995, but because of the intricate formalities of completing a transaction with a Cuban company-in-exile

---

4. These contemporaneous actions belie the more recent, self-serving assertion that Pernod had concluded the Arechabalas had abandoned rights to the HAVANA CLUB trademark. The Court of Appeals noted that "[w]e need not determine whether JASA abandoned the "Havana Club" mark" (16a).

with shareholders scattered throughout Spain and the United States, that agreement was not formally executed until 1997 (*id.*). Under this agreement, Bacardi & Co. acquired whatever rights the Arechabalas possessed in any HAVANA CLUB trademark, the related goodwill of the business, and any rum business assets that the Arechabalas still owned (*id.*).

In 1994, Galleon, S.A., a corporation later merged into Bacardi & Co. applied to register the HAVANA CLUB trademark for rum in the PTO, and in July 1995, Bacardi petitioned the PTO to cancel HCH's U.S. HAVANA CLUB trademark registration. In mid-1995, Bacardi launched sales in the United States of HAVANA CLUB rum produced in the Bahamas (43a).

B. Proceedings Below

Bacardi's cancellation petition charged petitioners, *inter alia*, with fraud and CACR violations. That proceeding was ultimately suspended pending the outcome of this action.

The cancellation petition prompted petitioners to go to OFAC, which administers the embargo against Cuba, and apply for a specific license retroactively approving the HAVANA CLUB trademark assignments (4a). Petitioners falsely affirmed in their application, under pain of perjury, that the transfers of the U.S. HAVANA CLUB trademark registration resulted from an internal reorganization of the Cuban rum industry. In November 1995, OFAC issued a specific license to petitioners (5a).

Trademark Infringement Claim

In December 1996, petitioners brought this suit (6a). Petitioners' complaint set out HCH's federal trademark

infringement claim and a section 43(a) Lanham Act false advertising claim. Bacardi answered and counterclaimed, seeking, *inter alia*, cancellation of HCH's U.S. HAVANA CLUB trademark registration on the basis that the recently granted OFAC license approving the transfer was obtained fraudulently (*id.*). In March 1997, the District Court determined that Bacardi lacked standing to challenge OFAC's action but noted that Bacardi was free to pursue its concerns directly with OFAC (*id.*).

In April 1997, OFAC notified petitioners that their license had been revoked and advised them that any action taken under the license was null and void (5a). In August 1997, Bacardi moved for partial summary judgment on the ground that HCH had no rights whatsoever in the HAVANA CLUB trademark in the United States as the trademark assignment was a nullity under the CACR. The District Court granted summary judgment, rejecting petitioners' make-weight argument that although a specific license had been sought and lost, the trademark assignment was nonetheless permitted under 31 C.F.R. § 515.527(a)(1) (a general CACR license provision allowing for the registration and renewal of trademarks) (7a).

The Court of Appeals affirmed, pointing out that the assignments which HCH argued were authorized by section 515.527(a)(1) were "effected" in 1994, a year before section 515.527(a)(1) was issued in 1995 (11a). Moreover, 31 C.F.R. § 515.502(a) prohibited section 515.527(a)(1) from being given retroactive effect. Accordingly, the Court of Appeals held that the 1994 assignments of the HAVANA CLUB mark to HCH were not authorized by the prospective general license provision issued in 1995 permitting registration and maintenance of Cuban trademarks. The Court of Appeals alternatively held that even if this timing obstacle were ignored, it would still not accept

HCH's argument that the assignments were authorized under section 515.527(a)(1) as transactions related to trademark renewal (11a). To accept petitioners' strained reading would allow the exception to swallow the CACR's broad prohibition on trademark transfers. IAC considerations could not sway this decision given the clear expression of Congress' intent to override any protection that the IAC might otherwise provide (14a). The Court of Appeals ruled that primacy had to be given to the prohibition of the CACR barring a Cuban national from transferring a trademark because the intent of Congress "to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning or otherwise transferring rights subject to United States jurisdiction" could not have been clearer (14a).

Trade Name Infringement And Federal False Advertising Claims

Petitioners then amended their complaint to assert a claim for the infringement of the "Havana Club" trade name under the IAC, Chapter III, and sections 44(g) and 44(h) of the Lanham Act (7a). Petitioners hoped somehow to use this last ditch treaty trade name claim as a surrogate which would somehow restore the "rights" to the HAVANA CLUB trademark in the United States that HCH had irretrievably lost through its own malfeasance.

After the close of petitioners' case, the District Court ruled that HCH, a Luxembourg corporation, could not assert a trade name protection claim under the IAC (7a),[5] a decision in which

5. Section 44(b) of the Lanham Act, 15 U.S.C. § 1126(b), which implements the IAC and other international trademark conventions to which the United States is a party extends standing to "any person whose country of origin" is a party to a trademark treaty or convention to which the United States is also a party. Luxembourg is not a party to the IAC (7a).

HCH's counsel concurred. Since the standing requirement set out in section 44(b) of the Lanham Act governs all IAC claims, HCH also lacks standing to assert trademark or false designation of origin claims under the IAC.

After trial, the District Court ruled that section 211(b) precluded HCI's pursuit of its claim for infringement of the trade name "Havana Club" (8a). The District Court also decided that petitioners lacked standing to bring their federal false origin claim under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), because petitioners' ability to enter the U.S. market is "too remote" to confer standing (61a).

The Court of Appeals rejected HCI's arguments that section 211 did not apply because HCI's claim arose directly under the IAC and abandonment was a common law exception to section 211. The legislative history, the text, and the case law under the Lanham Act, beginning with *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 641 (2d Cir. 1956), all supported the conclusion that HCI's trade name rights under the IAC must be asserted pursuant to section 44(b) of the Lanham Act (21a-23a). Though this Court had earlier ruled the IAC was, at least in part, self-executing, Congress was free to eliminate any doubt on that score and incorporate the IAC into the framework of the Lanham Act. The Court of Appeals also declined to create an abandonment defense to section 211 because the plain meaning of the statutory phrase "was used" precluded the Court from grafting a "continuous use" requirement onto the statute (24a). Finally, the Court of Appeals held that section 211 did not have an impermissible retroactive effect, because HCI sought only prospective injunctive relief and had no settled expectations that were upset.

The Court of Appeals, on the section 43(a) Lanham Act standing issue, decided there was no clear error in the District

Court's finding that Bacardi's use of the HAVANA CLUB mark in the United States does not adversely effect HCI's current and future sales of its rum to U.S. visitors to Cuba (29a). It was, the Court of Appeals determined, within the province of the trial court not to credit petitioners' improperly designed surveys on U.S. visitors to Cuba (*id.*). The Court of Appeals added that not all potential commercial injury is sufficient to confer standing, *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1112 (2d Cir. 1997), and found "HCI's alleged injury amounts to the present diminution in the speculative value of its sales of Cuban-origin rum once the United States government removes the obstacle of the Cuban embargo" (30a). The Court of Appeals refused HCI's invitation to speculate as to whether the LIBERTAD Act would be amended, observing "by conferring standing to HCI based on its own prediction of Congress' actions, this Court would expand its authority well beyond any zone of twilight that might exist between legislative and judicial authority" (31a). Petitioners' claim of commercial injury was simply too remote to pass muster for standing. The Court of Appeals also held HCI's section 44(h) claim was little more than the re-assertion of its section 43(a) claim and rejected it as well (36a).

INTRODUCTION TO ARGUMENT

The Lanham Act is not "another layer of protection" for foreign owners of trademarks as petitioners suggest (Br. at 4). Congress, in enacting section 44(b) of the Lanham Act, as the Court of Appeals decided, specifically incorporated any treaty rights asserted under the IAC into the framework of the Lanham Act. So any rights HCI might have under the IAC must be asserted through section 44(b) of the Lanham Act. This decision accords with Art. 19 of the IAC which states that

"[t]he protection of commercial names shall be given in accordance with the internal legislation [of Contracting States]" (104a).

The United States' policy towards Cuba as exemplified by the Cuban embargo is based upon national security concerns. *See Regan v. Wald*, 468 U.S. 222, 225-26 (1984) (Cuban efforts to destabilize other Latin American governments prompted the CACR). The CACR were promulgated on the authority of the Trading with the Enemy Act, Pub. L. No. 65-91, 40 Stat. 411 (1917) ("TWEA"), (codified as amended as 50 U.S.C. App. 1, *et seq.*). This statute was first enacted in 1917 as a response to wartime emergencies and was amended in 1933 (after the IAC was ratified) to cover peacetime emergencies as well. While a 1977 amendment to TWEA eliminated the reference to peacetime emergencies, the CACR were grandfathered and continue to be based on the 1933 version of the act. The CACR, 31 C.F.R. § 515.201(b) and (c), draw upon the sweeping powers specifically set out in section 5(b) of TWEA, as amended, by prohibiting, with regard to any property in which a Cuban national or entity has an interest, "(1) all dealings in, including, without limitation, transfers . . . of, any property . . . or evidences of ownership of property [such as a U.S. trademark registration]." The CACR further provide that any transfer of property in violation of the Cuban embargo "is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property." 31 C.F.R. § 515.203(a); (9a).

The national-security basis of the Cuban embargo was reemphasized by Congress as recently as 1996. The LIBERTAD Act states the Cuban embargo is essential "to provide for the continued national security of the United States in the face of

continuing threats from the Castro government of terrorism, [and] theft of property from United States nationals. . . ." 22 U.S.C. § 6022.

Clearly, any general policy as to the reciprocal protection of trademark rights as reflected in the IAC must give way, in the case of Cuba, to the specific prohibitions approved by the President and Congress in the 1933 TWEA and the 1963 CACR, both constituting more recent law, which proscribe all financial, commercial, or trade transactions, whether direct or indirect, involving Cuban assets within the United States. While TWEA and the CACR permit foreign nationals to maintain their legitimate trademarks, copyrights, and patents here, this is only so that those frozen assets can ultimately be used for the purposes TWEA and the CACR are aimed at accomplishing.[6] Any interpretation that would equate the right to maintain trademarks, copyrights, or patents here with the right to sell them to third parties not bound by the strictures of an embargo is absurd on its face, for it completely frustrates the purposes for which TWEA and the CACR were promulgated.

Petitioners go outside the record to discuss the activities of American companies which have obtained Cuban trademark registrations (Br. at 5). This is to give credence to the extrarecord threats of the Castro government to seize those marks, which threats are also improperly alluded to in the petition. *See Witters v. Washington Dep't of Servs. for the Blind*, 474 U.S. 481, 486 n.3 (1986); (Br. at 13 n.6). As Congress made clear in the

---

6. The purposes of the CACR include: (1) preventing the Cuban government from acquiring dollars; (2) providing assets from which U.S. citizens can be compensated for wrongs committed by the Cuban government; and (3) using blocked assets as a negotiating tool with the Cuban government. *See Richardson v. Simon*, 560 F.2d 500, 505 (2d Cir. 1977), *appeal dismissed*, 435 U.S. 939 (1978).

statement of the purposes of the LIBERTAD Act quoted above, these threats to steal American property are part of a decades-long screed of the Castro government against the United States and its democratic institutions. And the congressionally ordained response to such Castro threats was to codify and prolong the embargo until some time after the present Castro regime is replaced, and to create a new civil claim for trafficking in property confiscated by the Castro government, which the Court of Appeals observed was designed to create a chilling effect that will deny the present Cuban regime venture capital (14a-15a). Plainly, the threats, which are relayed to this Court by parties which are half-owned by the Castro government, cannot be permitted to influence the judicial process or to blackjack a judicial reconstruction of the plain language of the CACR prohibiting the transfer of Cuban-owned property in the United States.

REASONS FOR DENYING THE WRIT

I. The Decision Below Follows This Court's Direction That A Clear Expression By Congress As To When A Subsequent Statute Governs Must Be Heeded

Petitioners argued on appeal that the core issue with respect to the trademark infringement claim was "whether the CACR general license covers the transfer. . . ." (10a). The Court of Appeals held that the CACR general license could not possibly have covered the transfer since the general license provision was not promulgated until a year after the transfers were "effected" in 1994 (10a-11a). Moreover, HCH, the party claiming rights in the HAVANA CLUB trademark, as a Luxembourg national, had no standing to assert IAC rights (7a). Whether the CACR abrogated trademark rights of HCH otherwise protected by the IAC, Art. 11 is thus not properly at

issue. These holdings are unassailable. Accordingly, this case does not raise the IAC trademark treaty issues that lie at the heart of petitioners' argument for a writ of certiorari.

In any event, the Court of Appeals' alternative decision faithfully follows settled law concerning when a subsequent federal law takes precedence over earlier trademark conventions. The Court of Appeals recognized and applied the principle enunciated in *Whitney v. Robertson*, 124 U.S. 190, 194 (1888) that when a treaty and a federal law relate to the same subject, the courts, if possible, will give effect to both, "but, if the two are inconsistent, the one last in date will control the other. . . ."

The CACR were originally promulgated under the 1933 version of TWEA. Congress, as the Court of Appeals noted, amended section 5(b) of TWEA in 1933 — four years after the IAC was ratified — "to authorize the President to act under section 5(b) '[d]uring time of war or during any other period of national emergency declared by the President' " (33a). In 1977, Congress removed this presidential power to act under section 5(b) in a declared national emergency, but the presidential authority with regard to the CACR was grandfathered.

Cubaexport registered the HAVANA CLUB trademark in the PTO. But the CACR clearly prohibited Cubaexport from selling any rights it had in this U.S. trademark, which is precisely what Pernod and Cuba tried to do through the Convenio. The unmistakable purpose of Congress with respect to the Cuban embargo, the Court of Appeals held, was to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning or transferring any right subject to U.S. jurisdiction, including trademark rights (14a).

This evidence of the congressional purpose, the Court of Appeals observed, was further strengthened by the recent

enactment of the LIBERTAD Act, which discourages third-country nationals from seeking to profit from illegally confiscated property and to preserve such property for restoration to its rightful owners by creating a new civil remedy (15a). Contrary to petitioners' contention, the Court of Appeals did not rely on the LIBERTAD Act or section 211 in holding that the attempted assignment violated the CACR. Citing this Court's opinion in *West Virginia University Hospitals, Inc. v. Casey*, 499 U.S. 83, 100 (1991), the Court of Appeals simply found additional confirmation of Congress' previously evinced intent by noting the most recent instances of Congress' consistently strict interpretation of the CACR prohibitions. Indeed, the Court of Appeals carefully pointed out, "we do not retroactively apply [the LIBERTAD] Act to prohibit the assignments in this case" (16a).

In sum, the Court of Appeals held that this unmistakable congressional intent prevailed over any contrary argument that the earlier language in the IAC, Art. 18, concerning trade name protection required the OFAC general license provision to be twisted into a provision permitting the outright sale of trademarks to non-Cuban companies. Because such a tortured interpretation would render the embargo a nullity, to the extent of the clash, the earlier IAC had to give way to the CACR.

The decision below does not, as petitioners urge, allow a regulation to abrogate a treaty.[7] The CACR were promulgated long after the IAC under TWEA, as amended, and other federal statutes, *see Miranda v. Secretary of the Treasury*, 766 F.2d

---

7. Petitioners' argument below was directed to section 515.527(a)(1). As that regulation was not in effect, plainly a specific OFAC license was mandated for the transfer. So now petitioners attack the CACR as a whole. Ignored is the fact that HCH has no IAC trademark rights.

1, 6-7 (1st Cir. 1985), and carry out the clearly expressed aims of Congress and the President as to Cuba. The broad CACR prohibition regarding dealings in Cuban property in the United States comes right out of the sweeping language of TWEA, section 5(b). The Court of Appeals, adhering to this Court's precedent, stated:

> [w]hether or not deference to an administrative agency's interpretation of its own provisions would override treaty provisions in other contexts, we have no doubt that Congress, whose purpose we are ultimately obliged to follow on this issue, expects that OFAC's restrictive interpretation of section 515.527(a)(1) will override any conflicting treaty protection.

(15a). Petitioners' real quarrel is not with the Court of Appeals' interpretation of the general license provision, but with the Cuban embargo itself.

Similarly, petitioners' argument based on Art. 11 of the IAC fails on the merits because of the clear expression of Congress' intent to override any contrary trademark treaty provision, including Art. 11 of the IAC. *See Cook v. United States*, 288 U.S. 102, 120 (1933); (13a-14a).

Petitioners' arguments with regard to section 211 are also fatally flawed because Congress could not have been clearer that this statute was meant to apply to the facts at bar. Section 211 applies to designated Cuban nationals like HCI and was applied here in accordance with its unambiguous terms to prevent HCI from asserting rights in the stolen "Havana Club" trade name, which was used with the family rum business seized from JASA, without compensation, by the Castro regime. No principled reading of section 211 supports petitioners'

argument as to the inapplicability of section 211, since section 211(b) explicitly states that no court shall enforce any "treaty" rights asserted by a "designated [Cuban] national" in these circumstances. This wording shows unequivocally that the IAC was to be superseded by section 211. As discussed above, the Lanham Act is the exclusive vehicle for asserting all trademark treaty claims. Thus the contention that HCI had a separate claim under the IAC is unavailing. Indeed, petitioners' argument that section 211 is inapplicable to the assertion of IAC treaty rights by Cuban nationals would render section 211 a nullity. This is patently absurd.

Moreover, international law does not require the recognition of trademark rights, when doing so would offend the public policy of the United States (and many other nations including France) against giving domestic effect to uncompensated foreign expropriations. *See e.g.*, *Baglin v. Cusenier Co.*, 221 U.S. 580, 596 (1911) (confiscatory decree of French government "cannot be conceived to have any extraterritorial effect"); *Republic of Iraq v. First Nat'l City Bank*, 241 F. Supp. 567, 574-75 (S.D.N.Y. 1965) (same), *aff'd*, 353 F.2d 47 (2d Cir. 1965), *cert. denied*, 382 U.S. 1027 (1966); *Compania Ron Bacardi, S.A. v. Bank of Nova Scotia*, 193 F. Supp. 814, 815 (S.D.N.Y. 1961) ("the public policy of our nation is antithetical to the recognition of the Cuban government's confiscatory decree with respect to property outside Cuba").

The abandonment issue interjected by petitioners is a red herring (Br. at 16). The decision below noted that "section 211(b) requires only that a trade name 'was used' in connection with a confiscated business or asset, not that the trade name continues to be used" (24a). The use of the past tense, the Court of Appeals determined, was significant, for where "the statute's language is plain, the sole function of the courts is to enforce it

according to its terms." *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241 (1989) (internal quotations and citations omitted). Consequently, the Court of Appeals declined to create an abandonment defense. Moreover, if abandonment was to be a defense to section 211, Congress knew how to enact such a defense. Finally, the Court of Appeals noted, in equity, that "[i]t is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business" (25a).

II. The Decision That Petitioners Had No Standing To Pursue A Section 43(a) False Designation Of Origin Claim Accords With Long Standing Lanham Act Precedent And Fails To Conflict With Any Treaty Rights Of Petitioners

The Court of Appeals affirmed that petitioners had no standing to pursue a false designation of origin claim under section 43(a) of the Lanham Act. Again, petitioners misportray the dispositive issue, wrongly stating that the Court of Appeals concluded "that petitioners suffer no concrete effects from the wholesale appropriation of their name and brand identity in a market they plan to enter . . ." (Br. at 19).[8] This assertion presupposes that petitioners possess "name and brand identity rights" that the courts concluded petitioners never had. The sole issue for the Court of Appeals regarding standing for the false advertising claim was whether petitioners had shown any probable injury attributable to Bacardi's alleged false advertising. Petitioners, which did no business in the United

8. "Name" and "brand identity" rights differ markedly though petitioners indiscriminately lump them together. A "trade name" is any name used by a person to identify its business; as distinguished from a brand identity or trademark which identifies and distinguishes products emanating from the same source. *See* 15 U.S.C. § 1127.

States and had no prospects of entering the U.S. spirits market because of the embargo, had no such injury.

Petitioners argue fallaciously that the Court of Appeals' decision establishes a *per se* rule that companies subject to U.S. trade embargoes may not protect their trade names and brand identities against infringement. This is preposterous. The decision below cannot be read as laying down any *per se* rule on standing. The Court of Appeals explicitly rejected this *per se* argument, pointing out that "[a]lthough an embargo might make it more difficult for such a plaintiff to show such injury, a company in an embargoed country still might, in some circumstances, suffer sufficient risk of competitive harm, due to a defendant's infringement, to obtain an injunction" (34a-35a). Petitioners' circumstances were unique and the Court of Appeals' decision below cannot be extrapolated and applied to future plaintiffs from other outlaw nations that may be embargoed.

Moreover, the argument that Bacardi's sales in the United States would somehow dilute the supposed brand identity that has been built up by petitioners among U.S. tourists to Cuba (Br. at 21) is nothing more than another factual contention petitioners could not prove at trial. The Court of Appeals held it was not clear error for the District Court to have found that HCI was *not* adversely affected by Bacardi's sales of HAVANA CLUB rum in the United States (30a). As the District Court observed, any confusion was unlikely as those U.S. travelers to Cuba must comply with OFAC travel restrictions and are fully aware of the embargo on Cuban goods (62a).

The false advertising branch of section 43(a) of the Lanham Act protects a manufacturer or distributor engaged in interstate commerce in the United States from unfairly losing sales to a

competitor which makes material false statements which deceive potential customers about the quality or origin of the goods or services in question. Petitioners, having lost their trademark and trade name claims, sought to misuse section 43(a) to protect "name" and "brand identity" rights they never had. Naturally, this failed. Petitioners had no sales to lose. Petitioners' far-fetched claim of somehow losing future sales — should the embargo be ended and should petitioners still be doing business in post-Castro Cuba under the stolen HAVANA CLUB mark after democracy was restored — was far too remote and speculative to confer standing.

The contention that under the law of other circuits petitioners would have had standing is ludicrous (Br. at 22). No such split among the circuits exists. None of the cases cited by petitioners from the First, Sixth and Ninth Circuits conferred standing on foreign plaintiffs who had never conducted business in the United States and were prohibited from doing so for the foreseeable future. Petitioners lack standing to bring their section 43(a) Lanham Act claim in every court in this country.

Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) has no application. In *Camel Hair*, a trade association brought suit against clothing retailers for selling mislabeled cashmere coats. *Id.* at 7. The First Circuit reversed a decision that the attenuated injury to the association was insufficient for standing and applied the associational standing doctrine first articulated by this Court in *Warth v. Seldin*, 422 U.S. 490 (1975). Under that test, an association has standing provided that it can show that its members have standing to sue in their own right. *Camel Hair*, 799 F.2d at 10-11. Since the members in *Camel Hair* had standing because their business suffered whenever the reputation of cashmere was denigrated, *id.* at 12, the First Circuit held the trade association had standing.

Petitioners are not associations. Nor could HCH or HCI show the same direct injury that the members of the association did in *Camel Hair*. Accordingly, that case does not help petitioners here.

In *Amer. Council of Certified Podiatric Physicians & Surgeons v. Amer. Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606 (6th Cir. 1999), a certification board for podiatric surgeons brought an action against a competing board alleging violations of the Sherman Act, the Michigan Antitrust Reform Act, the Lanham Act, as well as common law claims. The plaintiff's standing was never an issue in that case. Accordingly, the cherry-picked quote that petitioners insert in a parenthetical to their citation to that case has no bearing on the standing issue before this Court (Br. at 22).

In *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134 (9th Cir. 1997), seed and sod producers sued competitors under the Lanham Act for false advertising. In deciding whether plaintiffs were sufficiently injured to bring their section 43(a) claim, the Ninth Circuit held that based on plaintiffs' evidence, a reasonable jury could conclude "that Plaintiffs suffered actual injury as a result of Defendants' advertisements." *Id.* at 1146. Thus, petitioners — which did not and could not demonstrate any actual injury below — would have no greater success in bringing their trade name claim in the Ninth Circuit than they did here.

Petitioners' purported right to act as a private attorney general protecting consumer interests under section 43(a) has also been repeatedly rejected. *See, e.g., Colligan v. Activities Club of New York*, 442 F.2d 686 (2d Cir. 1971) (consumers lack standing under the Lanaham Act). Indeed, as the District Court pointed out, simply because petitioners lack standing does

not mean the alleged false designation of origin — if true — will go unremedied.[9] Bacardi's existing competitors have standing to seek redress if consumers are being deceived by the supposed misdesignation. Furthermore, the Bureau of Alcohol Tobacco and Firearms ("BATF") has primary jurisdiction over the labeling of rum and other beverage alcohol products and its regulations prohibit the use of geographically misleading brand names. *See* 27 C.F.R. § 5.34(a).

Petitioners also misquote the Court of Appeals and fallaciously argue that "prior to 1988, there would be no question that petitioners had standing" (Br. at 23 n.14). The Court of Appeals considered and rejected this argument, stating "we have found no case decided before 1988 that recognized standing under section 43(a) based on HCI's interpretation of the pre-1988 version of section 43(a)" (28a). In all the pre-1988 cases cited by petitioners, the Court of Appeals found the plaintiffs, unlike the petitioners here, demonstrated likelihood of injury, because they competed with defendant in the same areas of the United States (*id.*).

---

9. Bacardi was using the HAVANA CLUB brand in the United States in interstate commerce prior to January 1, 1996. The Lanham Act, 15 U.S.C. § 1052(a), *et seq.*, as amended, provides that a trademark that arguably has geographic significance but which was in use prior to January 1, 1996, may be maintained and registered although it might otherwise be considered geographically misdescriptive. In the Statement of Administrative Authority, Cong. Rec. Vol. 140 (1994), U.S.C.C.A.N., 103d Cong. 2d Sess. 1994, Congress, in connection with TRIPs, stated, with respect to wine and spirits brands, that "[a]ny trademark containing a geographic indication that is currently registered or *in use*, or that is registered or *in use* [before January 1, 1996] *may be maintained*" (emphasis added). This policy was then implemented in an amendment to 15 U.S.C. § 1052(a), which "grandfathers" the usage by Bacardi of the mark HAVANA CLUB. Thus a violation is quite doubtful.

Petitioners argue for the first time in their petition that the provisions of IAC Art. 21 and Art. 23 dealing with indications of geographical origin somehow support their claim for standing under section 43(a). This argument was not made to the Court of Appeals where instead petitioners argued that these Articles of the IAC supported a separate claim directly under section 44(h). The Court of Appeals rejected this argument, noting that IAC, Art. 21, authorizes the prohibition of specified acts of unfair competition "unless otherwise effectively dealt with under the domestic law of the Contracting States" (36a). Since section 43(a) of the Lanham Act specifically dealt with this sort of claim, the Court of Appeals held HCI did not have a separate viable 44(h) claim (36a).

III. The Second Circuit Did Not Apply Section 211 Retroactively

Section 211(b) provides that no U.S. court shall recognize rights asserted by a "designated [Cuban] national" or its successor to a trade name that was used in connection with a business or asset confiscated without the consent of the original owner of that trade name. Since the "Havana Club" rum business was confiscated by the Castro regime without the payment of any compensation to JASA and since petitioner HCI did not have JASA's consent to use that trade name here, the Court of Appeals held that under section 211(b), HCI's trade name claim was precluded.

Section 211 was not retroactively applied. The Court of Appeals properly considered this Court's decision in *Landgraf v. USI Film Products*, 511 U.S. 244, 280 (1994), and held that since HCI sought only prospective injunctive relief on its trade name claim, application of section 211 would not have a retroactive effect. This decision follows the precedent of this

Court dating back more than a century, holding that injunctive relief by its nature operates *in futuro*. *See Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. (18 How.) 421, 431-32, 436 (1855). The propriety of such injunctive relief must be determined at the time of the hearing.

Petitioners' argument that this holding ignores harm to their "settled expectations" is, once again, fallacious. This argument was considered and rejected below, because petitioners were unable to show any such injury during trial. The District Court found "[a]t the time that HCI began its business in 1994 and to this day, it has been aware that the embargo prevents it from selling rum in the United States" (52a). Since HCI had no sales or reputation in the United States, the District Court found application of section 211 did not unfairly upset HCI's settled expectations or impair its investments (*id.*).

Pernod's admitted fear of litigation by the Arechabalas and its efforts to buy their rights in the HAVANA CLUB name and mark belie any claim that Pernod (in any event, a non-party whose expectations are irrelevant to petitioners' standing) relied on JASA's supposed abandonment of its rights. At most, Pernod's lawyers conjectured on the possible outcome of a series of knotty legal problems. This is scarcely a "settled expectation."

CONCLUSION

Petitioners' predicament is of their own making. Pernod bought from the Castro government rights in a U.S. trademark that Pernod knew Castro had expropriated from JASA. Pernod and the petitioners also knew that the CACR prohibited Cubaexport, the record title holder, from transferring that trademark to HCH. Petitioners, recognizing that the payment of hard currency for that trademark was proscribed by the CACR, submitted a sworn license application to OFAC concealing that the assignment involved the transfer of the

HAVANA CLUB trademark to a Luxembourg company in exchange for the payment of hard currency to Cuba. Once OFAC realized the true nature of the transaction, this license was revoked *ab initio*. Petitioners, left to solve the plight caused by their duplicity, added an ill-thought out IAC trade name claim which could not be won on the merits to a section 43(a) Lanham Act claim which petitioners never had any standing to pursue.[10] This is scarcely a suitable premise for the intervention of this Court.

Petitioners here paper over or ignore entirely the basic flaws in their case and beseech this Court to exercise its extraordinary jurisdiction to resolve questions of international law that are not resolvable on the facts of petitioners' case and the record below. A dispassionate review shows that petitioners' factual quagmire is unique and that the rulings of the District Court unanimously affirmed by a distinguished panel of the Second Circuit Court of Appeals are entirely consonant with the prior decisions of this Court.

---

10. Petitioners' premise that reciprocal trade name rights are protected under international trademark conventions is, again, false. Trade name protection falls outside the scope of TRIPs and traditionally has depended on the internal legislation of convention members. Accordingly, the United States and most of its trading partners, including Canada, Mexico, France, and Spain all require actual use of a trade name within their respective boundaries before trade name protection will be accorded. *See Protection of Corporate Names: A Country by Country Survey* App-3 (International Trademark Association 1999) at CA-5, ME-8, FR-6 and SP-8. HCH admitted it never used the "HAVANA CLUB" trade name in the United States so its trade name claim was doomed to failure on the merits just as it would have been in most foreign jurisdictions, including France.

For the reasons previously stated, the petition for a writ of certiorari filed on behalf of petitioners HCH and HCI should be denied.

Respectfully submitted,

PAUL F. DOYLE
WILLIAM R. GOLDEN, JR.
Counsel of Record
MARGARET E. FERGUSON
MICHELLE M. GRAHAM
KELLEY DRYE & WARREN LLP
Attorneys for Respondents
101 Park Avenue
New York, New York 10178
(212) 808-7800

MOTION FILED
JUL - 7 2000

(3)

No. 99-1957

In the Supreme Court of the United States

HAVANA CLUB HOLDING, S.A. AND
HAVANA CLUB INTERNATIONAL, S.A.,
Petitioners,

v.

BACARDI & COMPANY LIMITED AND
BACARDI-MARTINI USA, INC., ET AL.,
Respondents.

On Petition For A Writ Of Certiorari To The United States Court of Appeals for the Second Circuit

MOTION FOR LEAVE TO FILE BRIEF AMICI CURIAE AND BRIEF AMICI CURIAE OF FRENCH NATIONAL COMMITTEE OF THE INTERNATIONAL CHAMBER OF COMMERCE AND ASSOCIATION OF FRENCH CHAMBERS OF COMMERCE AND INDUSTRY IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

KENNETH S. GELLER
Counsel of Record
MAYER, BROWN & PLATT
1909 K Street, N.W.
Washington, D.C. 20006
(202) 263-3000

Counsel for Amici Curiae

2400

MOTION FOR LEAVE TO FILE BRIEF AMICI CURIAE

Pursuant to Supreme Court Rule 37.2(b), the French National Committee of the International Chamber of Commerce and the Association of French Chambers of Commerce and Industry respectfully move for leave to submit the accompanying brief *amici curiae* in support of petitioners Havana Club Holding, S.A., and Havana Club International, S.A. Consent to the filing of this brief was granted by counsel for petitioners but was refused by counsel for respondents.

The International Chamber of Commerce (ICC), founded in Paris in 1920, is the world organization representing business interests. Its members are engaged in all sectors of the economy, including industry, commerce, banking, insurance, transportation and law, and come from over 130 countries at all stages of economic development. The ICC regularly presents the views of business to the United Nations and its member institutions, as well as to other major intergovernmental bodies such as the World Bank, the International Monetary Fund, the OECD, the Commission of the European Communities, and the World Trade Organization.

In most countries membership in the ICC is obtained through affiliation with the appropriate National Committee. The French National Committee of the ICC (FNC), which was established in 1920 as a nonprofit association and was recognized as serving the public interest under decree of April 18, 1922, represents the interests of French businesses worldwide on major international economic issues. Its fundamental objective, which is the objective of the ICC as well, is to promote the smooth functioning of world trade within the framework of an open and multilateral trade system and with due respect for the principles of fair competition and open reciprocal access to markets.

The Association of French Chambers of Commerce and Industry (AFCCI), established in 1964, represents 161 local and 21 regional chambers of commerce, and through them over two

million French businesses. The AFCCI represents the interests of business to the French government, and throughout Europe and the world.

Worldwide protection of intellectual property rights is of vital importance to the businesses and entrepreneurs that form the membership of the FNC and AFCCI. Secure, predictable legal frameworks within which to protect and enforce trademarks, trade names, copyrights, and patents are critical to FNC and AFCCI members' day-to-day business operations. Accordingly, the FNC and AFCCI follow closely and have a keen interest in any judicial proceedings where those legal frameworks and the concomitant protection of intellectual property are at risk. Interventions of these groups can prove of value to courts by highlighting the negative impact which violation of worldwide treaty rights can have on the effective protection of intellectual property rights, and thus on the investment programs of international business.

The AFCCI, FNC and ICC placed the highest priority on the creation of the World Trade Organization (WTO), and especially on the successful conclusion of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). That agreement, set forth in Annex 1C of the Final Act of the Uruguay Round adopted by the Marrakech Conference on April 15, 1994 and implemented in the United States through the Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994), is designed to strengthen worldwide legal protection for intellectual property rights. Since passage of the TRIPS Agreement, the ICC, AFCCI, FNC, and other National Committees have continuously advocated its strict enforcement by WTO member governments.

The decision of the court of appeals undermines legal protections for intellectual property rights, and in particular is inconsistent with obligations under the TRIPS Agreement. The FNC and AFCCI believe that their participation will assist the Court in its resolution of the issues presented in this case.

For the reasons stated above, the AFCCI and FNC respectfully request that the Court grant their motion for leave to file this brief.

Respectfully submitted.

Kenneth S. Geller
Counsel of Record
MAYER, BROWN & PLATT
1909 K Street, N.W.
Washington, D.C. 20006
(202) 263-3000

Counsel for Amici Curiae

JULY 2000

TABLE OF CONTENTS

Page

MOTION FOR LEAVE TO FILE BRIEF AMICI CURIAE i

TABLE OF AUTHORITIES v

INTEREST OF THE AMICI CURIAE 1

SUMMARY OF ARGUMENT 1

ARGUMENT 2

I. The Court of Appeals' Decision Needlessly Places the United States in Violation of the TRIPS Agreement .. 2

II. International Commerce Depends Upon Constant Enforcement of Intellectual Property Treaty Rights ... 5

CONCLUSION 7

TABLE OF AUTHORITIES

Page(s)

Cases:

Bacardi Corp. v. *Domenech*, 311 U.S. 150 (1940) 2

Murray v. *The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804) 3

Waukesha Foundry, Inc. v. *Industrial Engineering, Inc.*, 91 F.3d 1002 (7th Cir. 1996) 6

Treaties:

General Inter-American Convention for Trade Mark and Commercial Protection (IAC), 46 Stat. 2907 (1929) ..... *passim*

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) ..... *passim*

Paris Convention for the Protection of Industrial Property 4

Statutes:

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 § 211(a), Pub. L. No. 105-277, 112 Stat. 2681, 2681-88 (1998) 5

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 § 211(b), Pub. L. No. 105-277, 112 Stat. 2681, 2681-88 (1998) ..... *passim*

Trademark Act of 1946 § 44(b), 15 U.S.C. § 1126(b) 3

Trademark Act of 1946 § 44(e), 15 U.S.C. § 1126(e) 3

Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) ..... ii, 3

TABLE OF AUTHORITIES – Continued

Page(s)

Regulations, Rules, and Legislative Materials:

Cuban Assets Control Regulations, 31 C.F.R. § 515.527 .. 5

S. Ct. Rule 37.2(b) i

S. Ct. Rule 37.6 1

S. Rep. No. 79-1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274 3

Miscellaneous:

Neil Buckley, *EU to take Cuban rum dispute to WTO*, FINANCIAL TIMES (July 4, 2000) 4

The European Commission, *EU requests WTO Panel on U.S. trademark law* (EU Press Release) (July 3, 2000) (available at http://europa.eu.int/comm/trade/miti/dispute/wtoustl.htm) 4, 5

BRIEF AMICI CURIAE OF FRENCH NATIONAL COMMITTEE OF THE INTERNATIONAL CHAMBER OF COMMERCE AND ASSOCIATION OF FRENCH CHAMBERS OF COMMERCE AND INDUSTRY IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

The French National Committee of the International Chamber of Commerce (FNC) and the Association of French Chambers of Commerce and Industry (AFCCI) submit this brief as *amici curiae* in support of the petition for a writ of certiorari filed by Havana Club Holding, S.A., and Havana Club International, S.A.[1]

INTEREST OF THE AMICI CURIAE

The interests of the FNC and AFCCI are set forth in the preceding motion for leave to file this brief.

SUMMARY OF ARGUMENT

While the narrow dispute before this Court is merely over the right to sell rum branded in a particular manner, resolution of the issues involved is of profound importance to the system of intellectual property protection worldwide. Certiorari is thus plainly warranted.

The court of appeals held that Section 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 (Section 211(b)), Pub. L. No. 105-277, 112 Stat. 2681, 2681-88 (1998), barred enforcement of petitioners' trade name rights to the term "Havana Club" under the General Inter-American Convention for Trade Mark and Commercial Protection (IAC), 46 Stat. 2907 (1929). As petitioners explain (Pet. 16), that interpretation of Section 211(b), which the court below struggled to arrive at despite the presumption against the

---

[1] Pursuant to Supreme Court Rule 37.6, *amici curiae* state that no counsel for any party to this case authored this brief in whole or in part and that no person or entity, other than the *amici curiae* and their members, made a monetary contribution to the preparation or submission of the brief.

implied abrogation of treaties, has placed the United States in violation of the IAC. The issue is broader than the IAC, however: under the court of appeals' interpretation of Section 211(b), the United States also is in violation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), one of the foundational pillars of international business in this information age. Indeed, within the past week, the European Union has asked the WTO to assemble a dispute resolution panel to consider the interpretation of Section 211.

Given the impact that the decision below will have – on United States businesses, on foreign businesses, on the worldwide system for intellectual property rights, and on the United States' foreign relations – even were that decision correct it should emanate from this Court, as the final arbiter of domestic law. In fact, however, the decision below misapplied longstanding principles of domestic law. Accordingly, this Court should grant certiorari to reverse the judgment below.

ARGUMENT

I. The Court of Appeals' Decision Needlessly Places the United States in Violation of the TRIPS Agreement

The court of appeals strained to reach an interpretation of Section 211(b) that blocked petitioners' ability to protect their trade name rights. That interpretation, by placing the United States in violation of international law, has created a major international incident. This Court should grant certiorari to clarify that Section 211(b) should be interpreted not to violate international law.

Nothing in the Lanham Act precludes foreign nationals from retaining their independent, *treaty-based*, remedies for intellectual property rights violations, in addition to any remedies contained in the statute. Since the IAC was self-executing, *Bacardi Corp.* v. *Domenech*, 311 U.S. 150, 158 (1940), petitioners were entitled to bring an action to protect their rights directly under the treaty. The legislative history cited by the court below

explains that the Lanham Act was intended to "*facilitate* mutual trade in this hemisphere" (Pet. App. 22a, quoting S. Rep. No. 79-1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274) (emphasis added)), not to *limit* independent treaty-based rights.

Section 211(b) provides that "[n]o U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946" (Pet. App. 118a). By its very terms this Section prohibits only actions *brought under the Lanham Act*. As Chief Justice Marshall wrote in *Murray* v. *The Charming Betsy*, 6 U.S. (2 Cranch) 64, 117-118 (1804), "an act of congress ought never to be construed to violate the law of nations, if any other possible construction remains * * * ." Thus, the court of appeals should have allowed petitioners to bring their trade name claims directly under the IAC.

Rather than following this bedrock principle of statutory interpretation, and despite the existence of other facially acceptable interpretations, the court of appeals construed Section 211(b) in the fashion most directly in conflict with specific treaty rights and the general presumptions of international intellectual property law. This decision violates not only U.S. law and the IAC, but also the letter and spirit of the TRIPS Agreement.

The legislation that implemented the TRIPS Agreement domestically, the Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994), codifies the United States' objectives for worldwide intellectual property protection. Those goals include "prevent[ing] or eliminat[ing] discrimination with respect to matters affecting the availability, acquisition, scope, maintenance, use, and enforcement of intellectual property rights," *id.* § 315(2)(B), 108 Stat. at 4943, and "secur[ing] fair, equitable, and nondiscriminatory market access opportunities for United States persons that rely upon intellectual property protection." *Id.* § 315(3), 108 Stat. at 4943. These domestic aspirations align well with the specific requirements of the

TRIPS Agreement. With limited exceptions not applicable here, that Agreement requires signatory states to "accord to the nationals of other Members *treatment no less favourable than that it accords to its own nationals*," Art. 3 ¶ 1 (App. 4a) (emphasis added), as well as "any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country." Art. 4 (App. 5a).

As interpreted by the court of appeals – to preclude the enforcement of petitioners' trade name rights – Section 211(b) directly violates the TRIPS Agreement. First, it violates the nondiscrimination principles contained in Articles 3 ¶ 1 and 4 (App. 4a-5a). Second, it violates Article 42, which requires member states to "make available to right holders civil judicial procedures concerning the enforcement of" intellectual property rights (App. 7a). Finally, it violates Article 8 of the Paris Convention for the Protection of Industrial Property, which provides for the protection of trade names in all signatory countries and which is incorporated by reference into the TRIPS Agreement by TRIPS Art. 2 ¶ 1 (App. 4a).

The court of appeals' interpretation of Section 211 has also exacerbated the international tensions created by the initial enactment of that statute. On June 30, 2000, the European Union formally requested that the WTO convene a panel to hear a challenge to Section 211. *See* Neil Buckley, *EU to take Cuban rum dispute to WTO*, Financial Times (July 4, 2000); The European Commission, *EU requests WTO Panel on U.S. trademark law* (EU Press Release) (July 3, 2000) (available at http://europa.eu.int/comm/trade/miti/dispute/wtoustl.htm) (App. 8a). The EU explained that part of the impetus for its action was that "Section 211 was recently applied by U.S. courts" in this case. App. 8a. It then stated:

> The EU is of the view that the conditions set forth in Section 211 violate several obligations of the U.S. under the [TRIPS Agreement] since it treats certain foreign right-holders with Cuban assets less favourable than U.S. right-holders. In addition, the law is contrary to the

> international trademark rules enshrined in the TRIPS Agreement since a trademark registration and its enforcement before courts cannot be made conditional on the consent of a trademark owner who has abandoned his rights.

App 8a-9a.

The court of appeals thrust the United States into this international conflict unnecessarily. While Section 211 plainly violates the TRIPS Agreement in other ways,[2] in this instance it can be interpreted in a fashion that protects petitioners' intellectual property rights consistent with the TRIPS Agreement. That interpretation will not only avoid international disputes; it is also straightforwardly mandated by the presumption against abrogating treaties by subsequent legislation. This Court should clarify that the stilted approach taken by the court below has no place in decisions interpreting treaty rights.

II. International Commerce Depends Upon Constant Enforcement of Intellectual Property Treaty Rights

The European Union does not lightly accuse the United States of violating its international obligations. That they have done so over Section 211 as interpreted by the Second Circuit is evidence of the profound importance of this case to companies and countries around the world, not merely in Cuba. The United States was created based on the principle of the free and unimpeded flow of commerce between the states. The future of world trade, too, depends on countries – especially countries that others view to be world leaders – not erecting artificial barriers to trade.

The impact of this case on petitioners and respondents is of course clear. Its implications, however, are much broader. All

---

[2] For example, Section 211(a) – which the court below held did not apply to this case (Pet. App. 17a) – violates the TRIPS Agreement by forbidding the registration and renewal of certain trademarks under the Cuban Assets Control Regulations, 31 C.F.R. § 515.527.

U.S. companies may be affected, because if the decision below is not reversed U.S. trademarks may be *legally* copied in Cuba. International companies, such as members of the AFCCI and FNC, will also be impacted, as they may become increasingly reluctant to do business in the United States, questioning whether the United States will enforce their intellectual property rights and fearing that the level playing field that business here once enjoyed has become riddled with molehills. Finally, on the governmental level other countries may now feel justified in erecting their own additional barriers to trade, increasing the costs and uncertainty that are the bane of international business and that the TRIPS Agreement was meant to minimize.

The international law doctrine of *pacta sunt servanda* – loosely translated by the Seventh Circuit as "a deal is a deal," see *Waukesha Foundry, Inc.* v. *Industrial Eng'g, Inc.*, 91 F.3d 1002, 1010 (1996) – requires that nations honor their treaty commitments. By construing Section 211 to abrogate the IAC, without the slightest hint that Congress meant to do so, the court of appeals failed to respect this doctrine, leaving the United States in violation of the TRIPS Agreement and a company stripped of appropriate legal protection for its trademark and trade name. This Court should grant certiorari to uphold the United States' treaty obligations and to clarify the principles by which such obligations must be interpreted.

CONCLUSION

For the foregoing reasons, as well as those stated by petitioners, the petition for a writ of certiorari should be granted.

Respectfully submitted.

KENNETH S. GELLER
Counsel of Record
MAYER, BROWN & PLATT
1909 K Street, N.W.
Washington, DC 20006
(202) 263-3000

Counsel for Amici Curiae

JULY 2000

APPENDIX

AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Members,

Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;

Recognizing, to this end, the need for new rules and disciplines concerning:

(a) the applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions;

(b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;

(c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;

(d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments; and

(e) transitional arrangements aiming at the fullest participation in the results of the negotiations;

Recognizing the need for a multilateral framework of principles, rules and disciplines dealing with international trade

in counterfeit goods;

Recognizing that intellectual property rights are private rights;

Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;

Recognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;

Emphasizing the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures;

Desiring to establish a mutually supportive relationship between the WTO and the World Intellectual Property Organization (referred to in this Agreement as "WIPO") as well as other relevant international organizations;

Hereby agree as follows:

PART I GENERAL PROVISIONS AND BASIC PRINCIPLES

Article 1: Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provi-

sions of this Agreement within their own legal system and practice.

2. For the purposes of this Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members.[1] In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, were all Members of the WTO members of those conventions.[2] Any Member availing itself of the possibilities provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade-Related Aspects of Intellectual Property Rights (the "Council for TRIPS").

---

[1] When "nationals" are referred to in this Agreement, they shall be deemed, in the case of a separate customs territory Member of the WTO, to mean persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.

[2] In this Agreement, "Paris Convention" refers to the Paris Convention for the Protection of Industrial Property; "Paris Convention (1967)" refers to the Stockholm Act of this Convention of 14 July 1967. "Berne Convention" refers to the Berne Convention for the Protection of Literary and Artistic Works; "Berne Convention (1971)" refers to the Paris Act of this Convention of 24 July 1971. "Rome Convention" refers to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, adopted at Rome on 26 October 1961. "Treaty on Intellectual Property in Respect of Integrated Circuits" (IPIC Treaty) refers to the Treaty on Intellectual Property in Respect of Integrated Circuits, adopted at Washington on 26 May 1989. "WTO Agreement" refers to the Agreement Establishing the WTO.

Article 2: Intellectual Property Conventions

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

Article 3: National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection[3] of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service

---

[3] For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

Article 4: Most-Favoured-Nation Treatment

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.

* * *

PART III ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

SECTION 1: GENERAL OBLIGATIONS

Article 41

1. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

4. Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.

5. It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general. Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.

SECTION 2: CIVIL AND ADMINISTRATIVE PROCEDURES AND REMEDIES

Article 42: Fair and Equitable Procedures

Members shall make available to right holders[11] civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.

---

[11] For the purpose of this Part, the term "right holder" includes federations and associations having legal standing to assert such rights.

THE EUROPEAN COMMISSION
PRESS RELEASE DATED JULY 3, 2000
http://europa.eu.int/comm/trade/miti/dispute/wtoustl.htm

EU requests WTO panel on U.S. trademark law

The EU announced today that it was requesting a WTO Panel against a U.S. law restricting the rights of foreign right-holders of U.S. trademarks. Under Section 211 of the 1998 U.S. Omnibus Appropriations Act, foreign companies with Cuban assets are prevented from registering and enforcing their trademarks in the U.S. unless they comply with discriminatory obligations which are in contradiction with international intellectual property rules.

Section 211 was adopted by the U.S. Congress back in October 1998. It obliges Cuban companies wishing to register a trademark in the U.S. previously owned by an entity, which was expropriated by the Cuban Government in the 1960s, to get the agreement of the original owner before registering. This is even the case when the original Cuban owner abandoned his trademark in the U.S. and the trademark became available to everybody. The law also bars U.S. Courts from recognising or enforcing any assertion of such rights unless the original owner has given his consent.

Section 211 was recently applied by U.S. courts. In February 2000, the U.S. Appeal Court ruled against a French-Cuban joint venture which tried to defend its trademark and trade-name 'Havana Club', a Cuban rum, against the Bacardi company, mainly on the basis of Section 211.

The EU is of the view that the conditions set forth in Section 211 violate several obligations of the U.S. under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement) since it treats certain foreign right-holders with Cuban assets less favourable than U.S. right-holders. In addition, the law is contrary to the international trademark rules enshrined in the TRIPs Agreement since a

trademark registration and its enforcement before courts cannot be made conditional on the consent of a trademark owner who has abandoned his rights.

Background

Since the adoption of Section 211, the EU has raised the violation of the TRIPs Agreement with the U.S. authorities on various occasions, including the past three EU-U.S. Summits. On all these occasions, the U.S. declined to enter into substantive discussions on this issue. In September and December 1999, consultations under the WTO were held with the U.S., but no progress was made. Under these circumstances, the EU decided to bring the case before a WTO Panel. The request will be addressed by the WTO Dispute Settlement Body on 27 July 2000.

Supreme Court, U.S.
FILED
JUL 07 2000
CLERK

(4)

No. 99-1957

IN THE

Supreme Court of the United States

HAVANA CLUB HOLDING, S.A. AND
HAVANA CLUB INTERNATIONAL, S.A.,
Petitioners,

v.

BACARDI & COMPANY LIMITED AND
BACARDI-MARTINI USA, INC., ET AL.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

MOTION FOR LEAVE TO FILE AND BRIEF OF AMICI CURIAE ORGANIZATION FOR INTERNATIONAL INVESTMENT AND THE EUROPEAN-AMERICAN BUSINESS COUNCIL IN SUPPORT OF PETITIONERS

RICHARD L.A. WEINER
DAVID G. LEITCH*
HOGAN & HARTSON L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109
(202) 637-5600
Counsel for Amici Curiae

* Counsel of Record

2000

IN THE

Supreme Court of the United States

No. 99-1957

HAVANA CLUB HOLDING, S.A. AND
HAVANA CLUB INTERNATIONAL, S.A.,

Petitioners,

v.

BACARDI & COMPANY LIMITED AND
BACARDI-MARTINI USA, INC., ET AL.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

---

MOTION FOR LEAVE TO FILE BRIEF OF AMICI CURIAE ORGANIZATION FOR INTERNATIONAL INVESTMENT AND THE EUROPEAN-AMERICAN BUSINESS COUNCIL IN SUPPORT OF PETITIONERS

Pursuant to Rule 37.2(b), the Organization for International Investment ("OFII") and the European-American Business Council ("EABC") hereby move for leave to file the accompanying brief as *amici curiae* in support of the Petitioners, Havana Club Holding, S.A. and Havana Club International, S.A., seeking a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit. Petitioners

have consented to the filing of the brief, but respondents have declined to consent.

OFII is a trade association based in the United States whose members are domestic affiliates of companies that transact business around the globe. OFII members are owners and rights holders in intellectual property of all kinds throughout the world and count intellectual property among their most valuable assets. OFII has therefore been vigilant in supporting secure, predictable legal frameworks within which to protect and enforce trademarks, trade names, copyrights, and patents.

EABC is a business association active on transatlantic trade and policy issues, and is comprised of over 85 European Union and United States member companies. EABC's work includes providing a forum for dialogue on transatlantic issues; preventing EU/US disputes and roadblocks to desirable policy outcomes; shaping quality and workable issue strategies; serving as an authoritative voice for EU/US interests on transatlantic policy issues; and helping member companies achieve business objectives.

The *amici* are keenly interested in the issues presented by the Second Circuit's decision. That decision rests on misguided and novel notions of treaty abrogation, under which the stability afforded by settled principles of international and domestic law governing treaties is substantially undermined. Because it involves the scope of protections afforded to intellectual property, moreover, the Second Circuit's decision threatens to diminish valuable property rights that have long been protected on an international basis without regard to tensions or disputes between particular countries. The harm is multi-lateral: the decision not only threatens the domestic protection afforded to intellectual property originating abroad, but on a reciprocal basis weakens the protections afforded to U.S. companies doing business abroad.

The decision below, therefore, would have far-reaching and dramatic consequences for *amici* and their members if allowed to stand. *Amici* therefore seek leave to file the accompanying brief to add their voice and perspective to the petitioners' request that this Court grant review.

Respectfully submitted,

RICHARD L.A. WEINER
DAVID G. LEITCH*
HOGAN & HARTSON L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109
(202) 637-5600
Counsel for Amici Curiae

* Counsel of Record

TABLE OF CONTENTS

Page

STATEMENT OF INTEREST 2

SUMMARY OF ARGUMENT 3

ARGUMENT 4

I. PROTECTION OF PETITIONERS' INTELLECTUAL PROPERTY RIGHTS IS PLAINLY ESTABLISHED BY TREATY 4

II. THIS COURT SHOULD REVIEW THE SECOND CIRCUIT'S MISGUIDED CONCLUSION THAT THE TREATY HAS BEEN ABROGATED BY ADMINISTRATIVE ACTION 7

III. RESOLUTION OF THE QUESTIONS PRESENTED HAS RECURRING CONSEQUENCES FOR BOTH UNITED STATES AND FOREIGN COMMERCIAL INTERESTS 11

CONCLUSION 13

TABLE OF AUTHORITIES

Page

CASES:

Bacardi Corp. of Am. v. *Domenech*, 311 U.S. 50 (1940) 5, 7

Chae Chan Ping v. *United States*, 130 U.S. 581 (1889) 8, 10

Charlton v. *Kelly*, 229 U.S. 447 (1913) 12

Cook v. *United States*, 288 U.S. 102 (1933) 10

Crosby v. *National Foreign Trade Council*, 120 S. Ct. ____ (2000) 2

Edye v. *Robertson* (*The Head Money Cases*), 112 U.S. 580 (1884) 8, 9

Murray v. *The Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804) 10, 11

Regan v. *Wald*, 468 U.S. 222 (1984) 6

Whitney v. *Robertson*, 124 U.S. 190 (1888) 7, 10

CONSTITUTIONAL PROVISION:

U.S. Const., art. VI, § 2, cl. 2 7

STATUTES:

15 U.S.C. § 1126(b) 7

Cuban Liberty and Democratic Solidarity Act, Pub L. No. 104-114, 110 Stat. 785 (1996) 10

Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, § 221(b), 112 Stat 2681 (1998) 10

Trading With the Enemy Act, 50 U.S.C. App. § 1, *et seq.* 4, 9

50 U.S.C. App. § 10(g) 4

TABLE OF AUTHORITIES -- Continued

Page

RULES AND REGULATIONS:

S. Ct. Rule 37.6 1

Cuban Assets Control Regulations, 31 C.F.R. §§ 515.101-515.901 (1999) 6

OTHER AUTHORITY:

General Inter-American Convention for Trade Mark and Commercial Protection ..... *passim*

Restatement (Third) of the Foreign Relations Law of the United States 12

IN THE

Supreme Court of the United States

No. 99-1957

HAVANA CLUB HOLDING, S.A. AND
HAVANA CLUB INTERNATIONAL, S.A.,

Petitioners,

v.

BACARDI & COMPANY LIMITED AND
BACARDI-MARTINI USA, INC., ET AL.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

---

BRIEF OF AMICI CURIAE ORGANIZATION FOR INTERNATIONAL INVESTMENT AND THE EUROPEAN-AMERICAN BUSINESS COUNCIL IN SUPPORT OF PETITIONERS

The Organization for International Investment ("OFII") and the European-American Business Council ("EABC") submit this brief as *amici curiae* in support of the petition for writ of certiorari filed by Havana Club Holding, S.A. and Havana Club International, S.A. [1]

---

[1] Pursuant to S. Ct. Rule 37.6, *amici curiae* state that no counsel for any party to this case authored this brief in whole or in part and that no person or entity, other than the *amici* and their members, made a monetary contribution to the preparation or submission of the brief.

STATEMENT OF INTEREST

OFII is a trade association based in the United States representing the interests of international companies operating in this country. Members of OFII are domestic affiliates of companies transacting business around the globe and employ hundreds of thousands of workers in plants and locations across the Nation.

OFII's mandate is to explain to policymakers, courts, and the public the positive economic contributions OFII members make to the U.S. economy and to ensure that international companies receive nondiscriminatory national treatment under federal and state law. For example, OFII has engaged in an ongoing effort to monitor and oppose unilateral sanctions proposals and has participated as *amicus curiae* in appeals involving such measures. *See, e.g.*, *Crosby* v. *National Foreign Trade Council*, 120 S. Ct. ___ (2000).

Of particular relevance to this case is the fact that OFII members are owners and rights holders in intellectual property of all kinds throughout the world and count intellectual property among their most valuable assets. Secure, predictable legal frameworks within which to protect and enforce trademarks, trade names, copyrights, and patents are therefore of critical importance to OFII members' day-to-day business operations. Accordingly, OFII is vigilant in representing its members' vital interests in judicial proceedings where those legal frameworks and the protection of intellectual property are at risk. This is just such a case.

Comprised of over 85 EU and US member companies, the EABC is the leading business association active on transatlantic trade and policy issues. The EABC is viewed as an authoritative, highly credible, and effective voice on transatlantic policy issues. EABC's work includes providing a forum for dialogue on transatlantic issues; preventing EU/US disputes and roadblocks to desirable policy outcomes; shaping quality and workable

issue strategies; serving as an authoritative voice for EU/US interests on transatlantic policy issues; and helping member companies achieve business objectives.

SUMMARY OF ARGUMENT

There is no dispute that the decision below fails to accord the protection to intellectual property which the United States agreed to provide when it entered into the General Inter-American Convention for Trade Mark and Commercial Protection in 1931. The Second Circuit, however, found that convention abrogated by virtue of the Cuban embargo, which is embodied in regulations adopted by the Executive in 1963. In reaching that conclusion, the Second Circuit's decision improperly permits administrative action to abrogate an international treaty, contrary to the longstanding requirement that abrogation of treaties—as much the "supreme Law of the Land" as any statute—must find its source in the action of Congress *and* the Executive. While the court of appeals did find support for its decision in several acts of Congress that post-dated the regulations, it neither relied on those statutes as the basis for abrogation nor honored the requirement that statutes should be read to avoid conflict with international obligations.

The Second Circuit's decision, therefore, is a dramatic departure from settled principles concerning the interplay between international obligations and domestic law. This Court's review is warranted, however, not only to consider the legal issues presented, but also in light of the broad-ranging practical effects of the Second Circuit's decision. Both domestic and foreign companies have long relied on the protections for intellectual property such as those at issue here. Those protections are seriously undermined by the decision below, and could well come unraveled if Cuba exercises its legal right, established as a result of the decision below, to decline to protect American marks, and if other countries follow suit in declining to afford American intel-

lectual property the reciprocal protections which have been in place for more than half a century.

The broader significance of this case is its effect on a wide variety of international obligations beyond the intellectual property context. *Amici* and their members rely on varied and far-reaching treaty obligations to ensure a non-discriminatory environment for business in the United States, and reciprocal benefits abroad. The decision of the Second Circuit, and the reasoning on which it is based, makes the entirety of this network less secure and less dependable—a result that is wholly avoidable under a correct understanding of the law. This Court's intervention is plainly warranted.

ARGUMENT

I. PROTECTION OF PETITIONERS' INTELLECTUAL PROPERTY RIGHTS IS PLAINLY ESTABLISHED BY TREATY

Congress has long made abundantly clear its intention to provide and secure international protection of intellectual property rights even in the face of strained—or hostile—international relations. Since at least the time it enacted the Trading With the Enemy Act ("TWEA"), 50 U.S.C. App. § 1, *et seq.*, in 1917, Congress has permitted nationals of foreign countries to enforce such rights on an equal basis without regard to the state of relations between the United States and the nationals' country of origin. Section 10 of TWEA accordingly provides that "[a]ny enemy, or ally of an enemy, may institute and prosecute suits * * * to enjoin infringement of letters patent, trade-mark, print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner and to the extent that he would be entitled so to do if the United States was not at war." 50 U.S.C. App. § 10(g).

This abiding conviction to protect intellectual property rights—and to secure a reciprocal benefit for American interests abroad—was reinforced in 1931, when the

Senate ratified the General Inter-American Convention for Trade Mark and Commercial Protection ("IAC"). Under the IAC, "[e]very mark duly registered or legally protected in one of the Contracting States"—including both the United States and Cuba—"shall be admitted to registration or deposit and legally protected in the other Contracting States, upon compliance with the formal provisions of the domestic law of such states." IAC, Article 3. (Pet. App. 95a-96a). As this Court explained in *Bacardi Corporation of America* v. *Domenech*, 311 U.S. 50, 163 (1940), "[t]he clear purpose of the treaty is to protect the foreign trade marks which fall within the treaty's purview. * * * If duly registered and protected in one of the Contracting States, the mark is to be admitted to registration or deposit and is to be legally protected in one of the other Contracting States."

The protection provided by the IAC is explicitly extended by the terms of that treaty to the transfer of duly registered marks. Under Article 11, the "transfer of the ownership of a registered or deposited mark" in the country of origin "shall be recognized in the other Contracting States" upon the proof that the transfer was proper under the internal law of the State in which the transfer occurred. Pet App. 100a.[2] As this Court recognized in *Bacardi*, 311 U.S. at 161, the IAC is a self-executing treaty: "This treaty on ratification became part of our law. No special legislation in the United States was necessary to make it effective."

In keeping with the express terms and intent of the IAC, both Cuba and the United States have long permitted marks originating in the other country to be registered and protected—despite the Cuban embargo in

---

[2] As the District Court observed, "[i]n the spirit of according reciprocal rights between signatory nations, Article 11 binds the United States and other member nations to give effect to and record upon its registry a valid transfer of a trademark that has occurred in another member nation." Pet. App. 74a (footnote omitted).

existence for nearly four decades—as embodied in the Cuban Assets Control Regulations ("CACR"), 31 C.F.R. §§ 515.101-515.901 (1999).[3] While those regulations contain broad prohibitions that would otherwise ban assignments of Cuban trademarks and other transactions involving Cuban intellectual property rights, they also offer exceptions in the form of licenses that provide protection for intellectual property rights finding their origin in Cuban authority. As noted in the Petition, at 5, numerous American companies—including some of the household names of American commerce—have received protection from infringement in Cuba.

One Cuban company receiving protection in this country pursuant to the reciprocal benefits afforded by the IAC was Cubaexport, which registered its HAVANA CLUB trademark in Cuba in 1974 and in the United States in 1976; that mark had also been registered without challenge in more than 80 nations around the world. In 1994, Cubaexport granted worldwide rights to the mark to Cuban rum distributor Havana Rum & Liquors, S.A. ("HRL"). HRL had in 1993 entered into a joint venture with Pernod Ricard, S.A. to sell and promote HAVANA CLUB rum. The companies formed Havana Club Holding, S.A. ("HCH"), a Luxembourg corporation to which HRL assigned the HAVANA CLUB trademark and business, and Havana Club International, S.A. ("HCI"), a company organized under Cuban law that conducts the HAVANA CLUB business and uses the trademark and trade name under an exclusive license from HCH.

While these commercial arrangements appear complicated, certain critical facts are clear. In particular, it is undisputed that the "the 'Havana Club' mark registered in the United States was originally registered in Cuba and was transferred in accordance with Cuban law."

---

[3] *See Regan* v. *Wald*, 468 U.S. 222, 225-230 (1984) (describing background of and authority for CACR).

Pet. App. 13a. It is also clear that, under the terms of Article 11 of the IAC, the transfer of the mark to petitioner HCH "will be recognized in the United States." *Id.* Such recognition includes the ability to enforce the mark in the courts of the United States.[4] This is not a case, therefore, that requires application of the "accepted canon" discussed in *Bacardi*, 311 U.S. at 163, under which "we should construe the treaty liberally to give effect to the purpose which animates it." *Id.* Here, the plain terms of the IAC protect the rights at issue, without need to resort to a liberal construction.

The courts below, however, refused to provide the promised protection, finding that the IAC had been abrogated by the Executive's adoption of the CACR. It is that conclusion, and the faulty analysis on which it lies, that requires this Court's review.

II. THIS COURT SHOULD REVIEW THE SECOND CIRCUIT'S MISGUIDED CONCLUSION THAT THE TREATY HAS BEEN ABROGATED BY ADMINISTRATIVE ACTION

1. Under Article VI of the Constitution, not only the Constitution itself and the laws adopted under it, but also "all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land." U.S. Const., art. VI, § 2, cl. 2. Case law credits the plain meaning of this language, recognizing that a treaty and a statute are on equal footing. *Whitney* v. *Robertson*, 124 U.S. 190, 194 (1888) ("By

---

[4] In the Lanham Act, Congress has expressly provided that the United States courts would be open to claims by foreign nationals with interests in trademarks or trade names protected by treaties such as the IAC. *See* 15 U.S.C. § 1126(b) ("Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names * * * to which the United States is also a party * * * shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law.").

the constitution, a treaty is placed on the same footing, and made of like obligation, with an act of legislation. Both are declared by that instrument to be the supreme law of the land, and no superior efficacy is given to either over the other."). *See also Chae Chan Ping* v. *United States*, 130 U.S. 581, 600 (1889) (self-executing treaty is "the equivalent of a legislative act"); *Edye* v. *Robertson* (*The Head Money Cases*), 112 U.S. 580, 598-599 (1884) ("A treaty, then, is a law of the land as an act of Congress is, whenever its provisions prescribe a rule by which the rights of the private citizen or subject may be determined.").

In its decision below, however, the Second Circuit elevated the status of administrative regulations—the CACR—and found in those regulations the abrogation of the IAC. In so doing, it "accord[ed] primacy" to what it interpreted as "the prohibition of the CACR that bars a Cuban national or entity from transferring a United States trademark." Pet. App. 14a. In this context, the court said it had "no doubt" that the restrictive interpretation of the regulations it recognized "will override any conflicting treaty protection." *Id.* at 15a.

While the court's opinion paid lip service to the requirement that *Congress* must clearly express its intent to abrogate a treaty (discussed below), and indicated that it had found such expressions of intent in statutes adopted well after the CACR, the Second Circuit was careful to point out that it was *not* applying those statutes (retroactively) to the trademark assignment at issue here. Instead, it identified the issue it was deciding as "[w]hether the CACR prohibit the assignments," *id.* at 10a, that were authorized by the IAC, and it found the IAC abrogated by crediting the interpretation of the CACR offered by the Treasury Department's Office of Foreign Assets Control ("OFAC"). *Id.* at 15a.

This Court should review the Second Circuit's surprising decision to permit administrative action to abrogate an international treaty obligation. As long ago

as *The Head Money Cases*, the Court made clear that the relative strength—or, as the Court put it, "sanctity," 112 U.S. at 599—of treaties and statutes was determined at least in part by reference to the process by which those sources of law were adopted: "A treaty is made by the President and the Senate. Statutes are made by the President, the Senate, and the House of Representatives. The addition of the later body to the other two in making a law certainly does not render it less entitled to respect in the matter of its repeal or modification than a treaty made by the other two." *Id.* Here, by contrast, the CACR were promulgated by the Executive alone, and the Second Circuit's decision purports to permit such an action to override international obligations embodied in a treaty "made by the President and the Senate." *Id.* This Court should review and reverse that conclusion to restore the constitutionally designed balance between the Executive and Legislative branches in this critical area.[5]

2. Certiorari is warranted for a second reason as well. When it did consider the statutes that Congress later passed concerning the Cuban embargo, the Second Circuit's decision—while disclaiming any direct reliance on those statutes—made little effort to interpret them to avoid a conflict with the IAC but instead simply assumed that it knew how Congress would want this case decided. Its decision therefore substituted little more than judicial hunches for the clear *congressional* statement that is ordinarily required for abrogation.

---

[5] In adopting the CACR, the Executive relied on TWEA, which was adopted nearly half a century before promulgation of the CACR. The IAC, of course, was ratified in the intervening years, and in finding that treaty abrogated by the CACR, the Second Circuit did not rely on any intervening *congressional* action of the sort on which such abrogation is ordinarily based. Instead, the court relied solely on the *administrative* action in promulgating the CACR in 1963.

Given the equal footing of a treaty and a statute, this Court has long recognized that, where a conflict between the two exists, the authority adopted later in time will control. *See, e.g.*, *Whitney* v. *Robertson*, 124 U.S. at 194 ("if the two [a treaty and an act of legislation] are inconsistent, the one last in date will control the other"); *Chae Chan Ping*,130 U.S. at 600 ("the last expression of the sovereign will must control.").

It is also well settled, however, that "[a] treaty will not be deemed to have been abrogated or modified by a later statute *unless such purpose on the part of Congress has been clearly expressed*." *Cook* v. *United States*, 288 U.S. 102, 120 (1933) (emphasis added). *See also Chae Chan Ping*, 130 U.S. at 600 ("It will not be presumed that the legislative department of the government will lightly pass laws which are in conflict with the treaties of the country."). Accordingly, it has been established since the earliest days of this Court that "an act of congress ought never to be construed to violate the law of nations, if any other possible construction remains." *Murray* v. *The Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804).

In this case, the Second Circuit found the IAC abrogated by holding that two statutes adopted *after* the CACR and *after* the transfers at issue here—the Cuban Liberty and Democratic Solidarity Act, Pub L. No. 104-114, 110 Stat. 785 (1996), which codified the CACR, and section 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, § 221(b), 112 Stat 2681, 2681-88 (1998)—constituted evidence "of congressional purpose that the result we reach should prevail over any contrary arguments, including those based in the IAC." Pet. App. 16a. *See also id.* at 15a ("we have no doubt that Congress * * * expects that OFAC's restrictive interpretation [of the CACR provisions] will override any conflicting treaty protection").

By failing to find a clear statement of abrogation and instead relying on its own broad sense of what it believed Congress would want, the Second Circuit departed from the principles that apply to treaty abrogation. As explained in the petition, moreover, a careful analysis of the statutes to which the court of appeals alluded offers ready interpretations of those statutes under which they would *not* abrogate the IAC. *See* Pet. at 16-17 & n.9. Because the Second Circuit failed to heed the settled doctrine that "an act of congress ought never to be construed to violate the law of nations"—in this case, embodied in the IAC—"if any other possible construction remains," *The Schooner Charming Betsy*, 6 U.S. (2 Cranch) at 118, this Court should review its decision and re-establish the critical obligation of the federal courts to *avoid* treaty abrogation unless plainly required by an act of Congress.

III. RESOLUTION OF THE QUESTIONS PRESENTED HAS RECURRING CONSEQUENCES FOR BOTH UNITED STATES AND FOREIGN COMMERCIAL INTERESTS

The issues presented by the Second Circuit's decision are of far broader importance than the particular dispute between the parties. The abrogation of a treaty has significant consequences for the United States, placing the Nation in violation of its legal obligations to other countries. While Congress is certainly entitled to conclude that such abrogation is necessary or desirable in a particular context, *courts* should be extremely reluctant to reach such a result where no clear congressional mandate exists. If the courts too readily find abrogation, the United States will soon be crippled in its ability to demand that other nations abide by their treaty obligations.

The adverse effects of the decision below will not only be visited on the Nation's interest as such, but will also be imposed on the commercial interests of United States' companies operating in other lands. Given the

reciprocal nature of many treaty obligations—including those at issue here—abrogation of those obligations by the United States will necessarily lead to reduced protection of American interests abroad. This effect will first be visited on American companies whose trademarks are recognized in Cuba itself, because the decision below frees Cuba from any legal obligation to abide by the terms of the IAC where American companies' interests are involved. *See Charlton* v. *Kelly*, 229 U.S. 447, 473 (1913); Restatement (Third) of the Foreign Relations Law of the United States ("Restatement") § 335(2)(b). Thus, Cuba may well decide to withdraw the protection it has long offered to trademarks such as "Calvin Klein," *see* Pet. at 13 n. 6, and permit sales of merchandise bearing that name—but wholly unauthorized by the originator of that name—to its citizens and to tourists of the world who regularly visit Cuba.

Other countries in which American trademarks have long been protected might also come to use the decision below as support for decisions to withdraw such protection. *See* Restatement § 335(2)(c). In short, while American companies have long relied on the terms of the IAC to afford protection of their intellectual property in other countries, that reliance is placed on an infirm foundation in light of the Second Circuit's holding that the United States has abrogated the IAC and need not afford similar protection here.[6]

In addition, the Second Circuit's decision directly affects the interests of companies which have relied on

---

[6] Indeed, the effects of the decision below are already a matter of international controversy. On July 3, 2000, the European Union announced that it would seek a dispute settlement panel in the World Trade Organization over the use of the HAVANA CLUB trademark. The EU contends that the United States is in violation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights because, under the interpretation of Section 211 adopted by the Second Circuit, U.S. law discriminates against foreign companies.

the United States' longstanding assent to enforcement of intellectual property rights originating in other countries. Rights originating in Cuba are of course immediately called into question by the decision below, but the decision also undermines the reliability and stability of the legal frameworks for protection and enforcement of trademarks, trade names, copyrights, and patents, which are of critical importance to international commercial activity.

The deleterious effects of the decision below are not limited to the intellectual property context. *Amici* and their members rely on a broad network of treaty obligations—such as the treaties of friendship, commerce, and navigation, bilateral investment treaties, double taxation treaties, the NAFTA, and the WTO Agreement—to ensure a non-discriminatory environment for business in the United States, and reciprocal benefits abroad. It is no exaggeration to say that the decision of the Second Circuit, and the reasoning on which it is based, makes the entirety of this network less secure and less dependable than it was prior to that decision. This Court's intervention is plainly warranted.

CONCLUSION

For the foregoing reasons, and those stated in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

RICHARD L.A. WEINER
DAVID G. LEITCH*
HOGAN & HARTSON L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109
(202) 637-5600
Counsel for Amici Curiae

* Counsel of Record